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FINANCIAL TIMES

Europe's Business Newspaper

MONDAY NOVEMBER 29 1993

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Bayer in $200m drive to expand Chinese presence

Bayer, the German chemicals and pharmaceuticals group, is to invest $200m in six Chinese enterprises as part of a drive by the company to establish a comprehensive presence in China.

The ventures covered by the umbrella agreement signed with the Beijing government at the weekend include plastics manufacturing, the production of tanning agents and dyes, and the packaging of photographic film. Page 17

Poll blow to Hindu party: The radical Hindu opposition Bharatiya Janata party, whose supporters last year unleashed unrest and political turmoil in India after storming the Ayodhya mosque, suffered a serious setback in the most important polls since the 1991 general election. Page 16

Scientific-Atlanta, communications technology group, is to provide a private satellite network for Volkswagen which will eventually link its dealers all over Europe. When complete the network will be by far the largest in Europe with several thousand terminals. Page 17

Drug chief Escobar may surrender

The flight of Pablo Escobar's family from Colombia has fuelled speculation that the Medellin drug chief – on the run since escaping from jail 16 months ago – is about to surrender to the authorities. His wife Victoria (pictured left, covered by a jacket, at Medellin airport) and his two children, Juan Pablo and Manuela, flew to Bogota and then on to Frankfurt in Germany. However a police spokesman at Frankfurt airport said the family members, who were questioned for four hours, would be sent back to Colombia.

Nigerian leader forms cabinet: General Sani Abacha strengthened his position as Nigeria's new head of state by purging army officers loyal to the former military ruler, Gen Ibrahim Babangida. He also formed a civilian cabinet which includes some respected ministers. Page 4

Lonrho, UK-based conglomerate, is ready to complete deals worth hundreds of millions of pounds with Libya if a film shows that country to be innocent of the Lockerbie bombing, joint chief executive Tiny Rowland said. The documentary is being made by a company two-thirds owned by Lonrho. Page 16

'No halt' to nuclear programme: Pakistan said it would never give up its nuclear programme until there was an agreement to make the south Asia region a nuclear weapons-free zone. Page 4

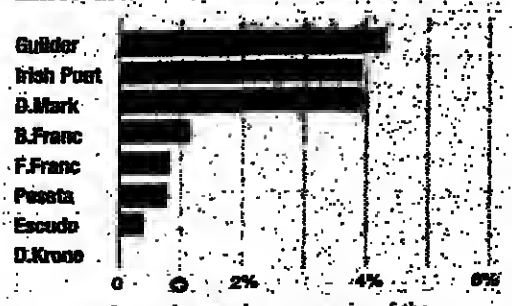
Chelsfield, UK private property company, is coming to market through a placing and intermediaries offer likely to value the group at between £240m ($355m) and £250m. Page 17

PM offers to quit: Werner Münch, prime minister of the eastern German state of Saxony-Anhalt, offered the resignation of his government following disclosures that the cabinet's west German members had paid themselves too much. Page 3

Fears over Berlusconi broadcast: Prominent Italian left-wing and centrist politicians warned against the misuse of media power after Silvio Berlusconi used his private television channels to broadcast a 90-minute press conference outlining his political ambitions. Page 3

European Monetary System: The Irish punt moved above the D-Mark within the system, as investors bought it on the back of a stronger UK pound. The Dutch guilder remained the strongest currency but the gap between it and the Danish krone, the weakest member, narrowed to 4.32 per cent from 4.51 per cent. The Portuguese escudo slipped back to close just above the krone after heavy selling at the end of the week. Currencies, Page 29

EMS: Grid November 26, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Landmine kills policemen: Ten Indian policemen travelling in a vehicle were killed by a landmine planted by suspected Maoist guerrillas in the central state of Madhya Pradesh.

Ferruzzi: The next 72 hours could be decisive for the Italian group as bankers and shareholders gather for a string of meetings to determine its future. Page 17

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr215	Neth.	Fl 3.75	Slovak Rp.	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk6.00	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Peo45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.600	Poland	Zl32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

Patten will seek to push through HK reform

China blames Britain for 'failure' of latest talks

By Simon Holberton in Hong Kong and Tony Walker in Beijing

Mr Chris Patten, governor of Hong Kong, is tomorrow expected to recommend to the British government that the colony should go ahead with the first stage of his controversial electoral reform legislation.

This move comes after China blamed Britain for what it called the "failure" of the latest round of talks on Hong Kong's future.

A terse dispatch carried by the official Xinhua news agency said the breakdown had occurred in spite of China's "best and thorough efforts" to reach agreement.

China, which takes over the running of Hong Kong in 1997, has denounced repeatedly Mr Patten's plans to broaden the franchise for local and Legislative Council (LegCo) elections due in 1994 and 1995, but this was Beijing's first official comment on the 17th round of the talks, which ended on Saturday.

Mr Patten and his executive council will meet tomorrow to consider pushing ahead with his democracy legislation despite the apparent breakdown of talks.

The governor, who described the latest session as "another sad and disappointing round", said the door was open for further talks.

"We are not walking away from any negotiating table: what we are doing is walking firmly in the direction of our responsibilities and that we'll continue to do," Mr Patten said.

But negotiations, which began in April, are at an impasse, with both sides claiming they can go no further. Although Britain offered an 18th round, western officials in Beijing regarded it as ominous that the talks ended without an undertaking to meet again, a departure from previous practice.

Mr Patten is likely to face tough questioning on the talks when he addresses the Legislative Council on Thursday. Mr Yeung Sum, a leading pro-democracy activist, called on both sides to be more open. "They should come out and explain to the people of Hong Kong why there isn't another round of talks. Does that mean that the talks have come to a stop or not?" he said.

Britain had hoped to reach a first-stage agreement on less contentious issues, such as local government elections, which are due next year. During the summer, Britain retreated from Mr Patten's original proposals for Hong Kong's democratic development, but to date the Chinese government has made no commensurate move.

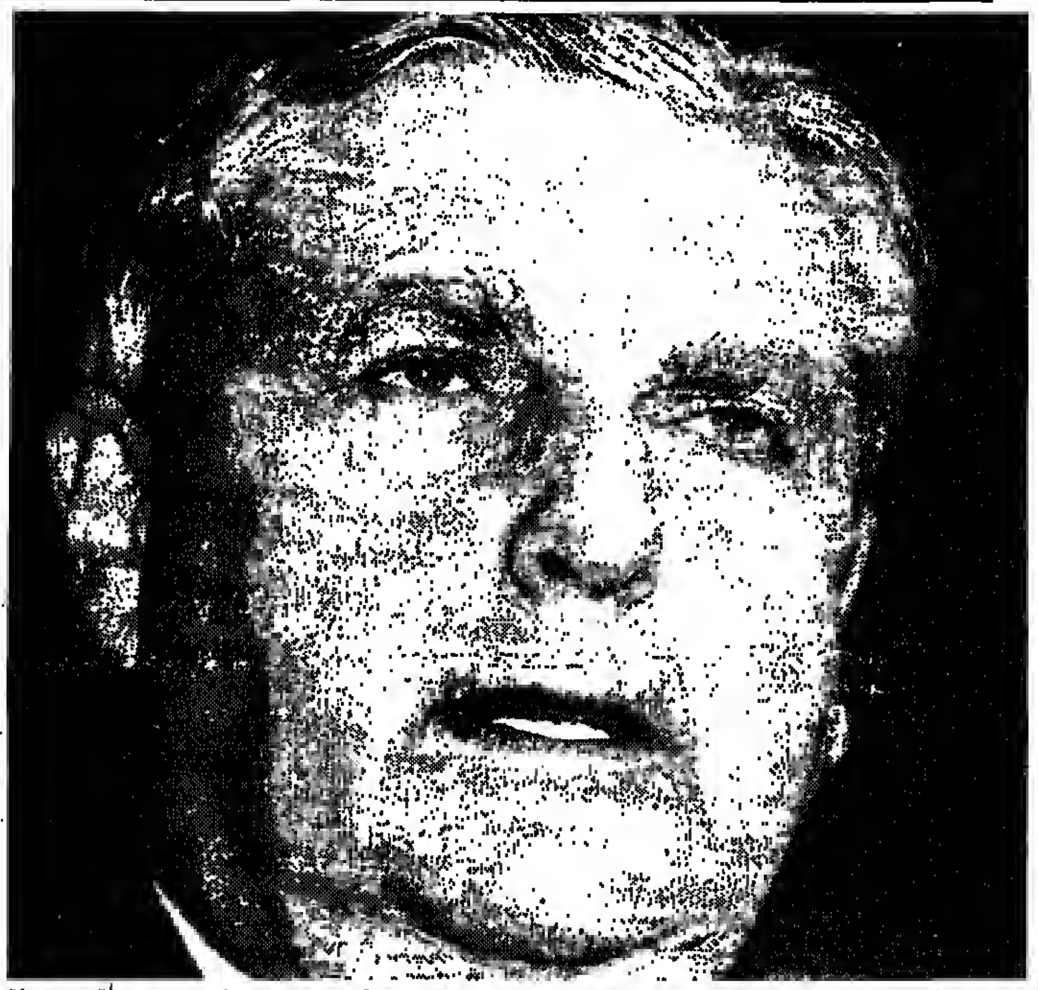
British officials said Beijing had hardened its position in the last two rounds, after earlier appearing willing to compromise. One Hong Kong official said: "There is a feeling of irritation bordering on anger about what they did between the 15th and 16th rounds."

Mr Patten's administration has claimed all along that the Hong Kong government needs to legislate for local government elections due next year and for LegCo elections in 1995. An agreement on the so-called "simple" issues, which cover the 1994 polls, would have allowed more time to discuss arrangements for the 1995 elections.

Shadow of Deog darkens hopes for democracy, Page 2

Disclosure prompts storm of criticism ■ Major accused of lying

Ulster peace effort hit by UK dialogue with IRA



Sir Patrick Mayhew: his dialogue with Sinn Féin included an exchange as recently as November 5 Reuter

By Philip Stephens in London and Tim Coone in Dublin

The British government was last night struggling to salvage efforts to restore peace to Northern Ireland after a damaging admission that it had been in prolonged contact with the Irish Republican Army.

The disclosure led to a storm of criticism from hard-line loyalists in the province, who support the union of Northern Ireland with the rest of the United Kingdom, and accusations of duplicity from UK opposition parties.

Sir Patrick Mayhew, the Northern Ireland secretary, said he would today make a full statement to parliament on the contacts.

The dialogue, stretching back to last February and including an exchange as late as November 5, marks the most intensive dealings between the British government and the IRA for at least a decade.

Bnt its disclosure cast a shadow over a forthcoming summit meeting between Mr John Major, the UK prime minister and Mr Albert Reynolds, his Irish counterpart.

The summit is still pencilled in for Friday but there were doubts in Whitehall last night about whether the present atmosphere would provide a background against which the two leadera could expect to make a breakthrough in their search for a political settlement.

Mr Major gave firm backing to Sir Patrick's insistence that a series of messages passed

Major embarks on damage limitation ....Page 5

Business says N Ireland must grasp opportunity ......Page 16

through an intermediary to Sinn Féin, the IRA's political wing, had not amounted to negotiating with terrorists.

Downing Street said there was no question of the Northern Ireland secretary being forced to resign because of at least three meetings – in March, August and Novemher – hetween the unnamed intermediary and representatives of Sinn Féin. It would have been "irresponsible" not to respond to such overtures.

But ministers admitted privately that the weekend disclosures sat uneasily with tbe repeated and vigorous denials in recent weeks from Mr Major and Sir Patrick that there had been negotiations or "talks" with the IRA. They also acknowledged that the affair may have severely damaged hopes of bringing the provinces's unionists into talks on a new political settlement.

The Rev William McCrea, a Democrat Unionist MP, who made public documents confirming the contacts accused Mr Major of telling direct lies when he met the prime minister last week with the Rev Ian Paisely, the DUP leader.

Reaction from the more moderate Ulster Unionist party, howaver, was significantly more restained with the party's MPs saying they would wait for Sir Patrick's full statement before taking a definite position.

Sir Patrick said yesterday no civil servants had been involved in "authorised" contacts with Sinn Féin through a "chain" established several years ago when Lady Thatcher was prime minister. The latest process had begun in February with an approach from the IRA suggesting it wanted advice on ending its armed campaign, he said.

Sir Patrick told a hastily-convened press conference in Belfast that: "I do not believe had I made no response, had the government made no response, that if subsequent bombs were exploded and

Cootinned on Page 16

Colosio favoured to become Mexican president

By Damian Fraser in Merida, Mexico

Mexico's ruling Institutional Revolutionary party has chosen Mr Luis Dooaldo Colosio, an economic reformer and current social development minister, as its candidate for next year's presidential election.

The PRI, which announced its decision yesterday, has been in power for 64 years, and Mr Colosio is the strong favourite to win next August's election, taking over from President Carlos Salinas.

Under Mexico's constitution, the winner will govern the country from December 1 next year until the end of 2000.

Mr Colosio, 43, was front-runner for the succession, partly because of his loyalty to President Salinas and partly because of his economic and political goals. He is expected to push ahead with the pro-market economic reforms and cautious political changes which marked the Salinas presidency.

Mr Colosio said before he was nominated that he would give more power to the states, traditionally dominated by Mexico City. He said deregulation and economic reform bad to be extended if Mexico was to become more competitive and the political system more democratic.

As social development minister, Mr Colosio has been responsible for the government's anti-poverty programme and environmental policy. He has travelled the country inaugurating public works projects, and has built an array of contacts at local level.

Critics say he has no clear philosophy of government and may not be able to respond adequately to short-term problems. A minister who has sat with him in cabinet says he made few significant contributions, and few of the ministers present knew what he believed in.

Mr Colosio was the only one of the candidates to have held elected office. Supporters say he will provide continuity with President Salinas.

Mr Colosio was born in tbe northern town of Magdelena,

Continned on Page 16

Swiss vote for introduction of value added tax in 1995

By Ian Rodger in Zurich

Switzerland's voters yesterday approved the introduction of a value added tax, indicating a new willingness to align fiscal and economic policies with those of other European countries.

The majority for the introduction of VAT was a aurprisingly strong 65 per cent, and was unusually consistent across the cantons of this culturally diverse country.

On three previous occasions in the past two decades, the latest only two years ago, Swiss voters rejected government proposals to replace an outmoded goods turnover tax with a universal VAT.

However, the VAT issue had a more urgent context this year than in the past. Swiss companies have complained of the excessive burden of the old goods tax at a time when they faced increasing difficulties competing in European markets.

For its part, the government pleaded for a hroader ravenue base to meet its increased responsibilities. Government spending has soared during the recession, mainly to cover the costs of unemployment insurance. This in turn reflects of its more humane policy towards guest workers.

Government revenues hava declined, with revenue from the goods tax falling 14 per cent. The federal deficit is likely to exceed SFr7bn ($4.6bn) this year, more than double the initial estimate. The introduction of VAT is estimated to bring in an estimated SFr1.7bn in new annual revenue.

Voters also replied positively to vigorous appeals from government leaders for the higher of two VAT rates, opting for setting the VAT rate at 6.5 per cent instead of the current 6.2 per cent for turnover tax. The new rate will apply from January 1, 1995.

Ms Vreny Spoerry, chairman of the parliamentary finance committee, said the outcome of the referendum showed the maturity of Swiss voters, who also gave the government qualified anthority to raise VAT hy 1 per cent in the future to help finance the public pension scheme.

They also followed government advice to veto a proposal to ban tobacco and liquor advertising. Over three-quarters of those voting rejected the proposal, advanced by a petition supported by Swiss doctors. Early results showed 163,694 in favour and 588,605 against a ban on alcohol advertising, while 167,257 were in favour and 586,027 against a ban on tobacco advertising.

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

The Chinese leader has set the tone for talks on Hong Kong, which now seem to have collapsed

Shadow of Deng darkens hopes for democracy

By Tony Walker in Beijing

Pronouncements by China's paramount leader, Deng Xiaoping, on Hong Kong may not have quite the same messianic force as a *fatwa* issued by an Iranian ayatollah but they have set the tone for an uncompromising Chinese position.

These include his warning in September 1982 to Lady Thatcher, then British prime minister, that in the event of unrest in the colony during the transition to 1997 China reserved the right to intervene.

He also urged that the two sides work closely to ensure a smooth transfer. More importantly, he advised Britain's premier, fresh from her victory in the Falklands war, that sovereignty was non-negotiable.

Chinese officials, taking their lead from Mr Deng's "talk", have played hardball over Hong Kong's future, first in negotiations on the Joint Declaration of 1984 in which Britain ceded sovereignty, and subsequently in discussions on the Basic Law – the colony's post-1997 constitution.

Mr Deng is also reported to have warned in conversation with colleagues that Britain would resort to "little tricks" aimed at muddying the waters in the lead-up to 1997. Mr Patten's plans to broaden the franchise for elections in Hong Kong appear, in the Chinese mind, to fall into this category. Beijing insists that the Patten formula contradicts prior Sino-British agreements. Mr Deng's Hong Kong *fatwa* has meant that from the beginning of Sino-British negotiations over the Patten formula in April this year there has been little room for compromise or manoeuvre. Britain's negotiators, in 17 rounds of talks, have often felt they were talking to a brick wall.

Beijing has, on occasions, hinted at possible compromise, but suggestions of flexibility have proved illusory. Officials have returned time and again to a re-statement of basic principles which derive from the views expressed by Mr Deng in his meeting with the then Mrs Thatcher.

Pointedly, Mr Deng's views on Hong Kong were published on the front pages of Chinese newspapers on September 24, the day after Beijing failed to win the nomination for the 2000 Olympics. This was seen as more than a coincidence and appeared to reflect Beijing's displeasure over remarks by Mr Douglas Hurd, the foreign secretary, in which he had forcefully championed Sydney's bid. British officials in Beijing hope that in the Chinese way an "eleventh hour" compromise might be possible, but they also recognise that the signs are not auspicious. Chinese officials have for weeks been canvassing publicly the prospect of a breakdown of talks.

Mr Jiang Enzhu, a vice-foreign minister and China's chief negotiator, has said that there are two possibilities: success or failure.

There is no doubt that China has been bolstered in its approach to the talks by a feeling that it has not much to lose by refusing to budge: after all, Hong Kong will return to Beijing's control in three and a half years whatever Mr Patten's electoral arrangements.

No Chinese official would presume to contradict (or seek to reinterpret) Mr Deng's edict. Indeed, Premier Li Peng in his National Day speech on October 1, noted that the "recent publication of Comrade Deng Xiaoping'a important talk on the Hong Kong problem has fully expressed our determination".

Defiant China determined on a tame HK

Britain still hopes for a negotiated deal, writes **Simon Holberton**

When, in April, Britain and China embarked on talks about Hong Kong's political development, their chance of reaching an agreement was never bright. But the depth of division is underlined by the fact that the only piece of common ground to emerge between the two after 160 hours of talks is lowering the colony's voting age to 18 from 21 years.

Although Mr Chris Patten, Hong Kong's governor, was quick yesterday to leave the door open to further talks, the reality facing his administration and the British government is that China will never agree to increasing democratic participation in Hong Kong along Mr Patten's lines.

The immediate question for Mr Patten and his colleagues in the British government is what to do next. The colony's Legislative Council (LegCo), Hong Kong's 60-strong law-making body, will expect to hear how Britain plans to proceed when the governor addresses Legco on Thursday.

The most likely outcome will be the splitting of Mr Patten's five proposals for democratic reform – first made a year ago – into two bills.

The first – which may be presented to LegCo as early as December 8 – will encompass the so-called "simple" issues which Britain and China were unable to agree on at the weekend. These are: abolishing appointments to Hong Kong's district boards and municipal councils so that elections next year will be fully democratic; creating 20 single-member electorates for the LegCo elections in 1995; and lowering the voting age.

The second bill will consist of the more contentious aspects of Mr Patten's plans. These are: broadening democratic participation in elections for 30 "functional" constituencies, which represent business and professional interests; and the constitution of an "electoral college" which will elect 10 LegCo members in 1995.

An important consideration for ministers is whether this second bill should be Mr Patten'a 1992 proposals unmodified, or the compromise offer the UK put to China during the summer. This decision has yet to be taken but, in the words of one of the governor's aides, "If a process of mutilation is to take place, better to start with a whole body rather than half."

The speed of presentation of the second bill will be determined by China's reaction to the tabling of the first. At the weekend Britain proposed an 18th round of talks to discuss the more difficult parts of Mr Patten's plans. If, in the face of LegCo debating the first bill, China takes up that offer then more time will be available for discussion.

The offer of more talks was mostly presentational but also reflected the UK's unchanged policy towards relations with China. The prize still to be fought for – which now appears to be beyond Britain's grasp – remains an agreement.

Since the negotiation of the Joint Declaration between 1982 and 1984 the cornerstone of British policy has been to agree "transitional" issues with the Chinese on the basis that what is agreed has a greater chance of survival after 1997 than what is not.

It is far from clear, however, if China really wants an agreement on tha political transition of Hong Kong, or that Britain could live with what China seeks. One thing which has emerged from the talks is that, in spite of the neutering of Mr Patten's proposals during the summer, China was still not satisfied.

The inescapable conclusion to draw from this is that China desires a tame legislature in 1997, one which not only excludes so-called "subversive" democratic politicians, such as Mr Martin Lee, leader of the United Democrats, but which restricts participation in elections.

The equally unpalatable fact for Mr Patten and the British government is that when the governor's legislation gets to LegCo its members will probably ensure that most of China's wishes are observed. LegCo is unlikely to agree to broadening voter participation in the functinnal constituencies; it could opt for appointment, rathar than election, to the electoral college.

The current balance of power in LegCo suggests that its members are more likely to vote in the direction of Beijing than of London. There are about 23 members who will support Mr Pattan's democratic alternative and an equal number who will do China's bidding. In the middle are 10 members – known as the "Breakfast Club" – most of whom when pushed will incline to Beijing on the big issues.

Time has never been on Britain's side; less so now that Chinese resumption of sovereignty is just 3½ years away. But that reality cuts both ways: China has a clearer idea of what is at stake for itself.

Possibly for that reason Mr Guo Fengmin, a senior Chinese government official, said on Friday that if there were no agreement, "the sky will not fall down. We are confident thet we, together with the Hong Kong people, can maintain Hong Kong's stability and prosperity."

Chris Patten at a St John Ambulance Brigade parade in Hong Kong yesterday. The governor must decide how best to pursue his policy of more democracy Reuter

Colony's companies still place faith in investment

Business takes the long view

By Simon Holberton in Hong Kong and Agencies

Hong Kong's business community last night shrugged off the apparent breakdown in Anglo-Chinese talks about the colony's political future.

Governor Chris Patten has few allies among Hong Kong's Chinese and expatriate businesses. Many feel that he is attempting to do too much, too late in Britain's administration of Hong Kong.

Managers of some of the colony's largest companies said their view of Hong Kong as a place to invest would not be affected even if China stood by its threat to overturn the results of the colony's 1995 elections when it assumes sovereignty on July 1 1997.

According to one senior British businessman: "It is not that there would be rioting and upheaval if they did that. Hong Kong people are quite pragmatic. There may be a lot of words and shouting but they know there'a nothing to be gained. No one will come to rescue them from the Motherland [China]."

However, not all business people think that the current Anglo-Chinese fight over Hong Kong is wasted. One leading Chinese businessman praised Mr Patten for bringing the issue of Hong Kong's political development in to the open.

"It is better for Hong Kong if we get this settled once and for all now," he said. "It would be worse for us if this debate took place after 1997.

"The extent to which Hong Kong can maintain its independence will depend on how Hong Kong people act, not on what the British do," he said.

Most businessmen believe that Hong Kong can have a good relationship with China only if it works with Beijing rather than confront it. Howaver thay are confident that China will not damage Hong Kong's economy in reprisal for what Mr Patten has done.

Traders in Hong Kong's volatile stock market believe that the market has already substantially discounted failure in the talks and Mr Patten putting his proposals to the colony'a legislature.

The market will be focusing on what the Chinese government says if Mr Patten does take unilateral action. Here the key will be the nature of threats, if any, Beijing makes about the economy.

"The market is likely to suffer increased selling pressure but I don't think investors will ba too pessimistic at this stage," said Mr Simon Lam of Mansion House Securities.

"Even if a first-stage agreement cannot be reached it does not mean that there will be no talks in the future, so I don't think the market will correct very substantially," he said.

Indeed analysts said a correction was long overdue after the strong gains of the past few months.

The Hang Seng index edged higher last week, gaining just 10.48 points over the week to 9,274.42 on Friday.

Taiwan party stands firm

By Dennis Engbarth in Taipei

Taiwan's ruling Nationalist Party failed to suffer an expected setback in local government elections at the weekend, although its share of the popular vote fell below 50 per cent for the first time.

The elections, which had been seen as a key test of the party's strength following internal dissension and corruption scandals, appeared to bolster the position of President Lee Teng-hui, who has led the island's democratic reforms.

The Kuomintang held on to 13 county and city mayoral posts - the same number as it had previously held. Candidates backed by the opposition Democratic Progressive party (DPP) won six posts, a net loss of one seat. The two others went respectively to a pro-DPP independent and a pro-KMT independent.

Mr Hsu Hsin-liang, the DPP chairman, resigned to take responsibility for the setback and attributed the defeat to "unprecedented levels" of vote-buying by KMT candidates, as well as to the impact made by President Lee, who as KMT chairman undertook an unprecedented personal campaign swing across Taiwan.

However, the electorate gave the KMT only 47 per cent of 7.6m votes cast, down from 54 per cent in similar mayoral elections in 1989. The DPP, which advocates formal independence for Taiwan and social reform policies, gained 41 per cent, up from 38 per cent in 1989.

The Chinese New party, a breakaway from the KMT, received only 3 per cent. The rest went to independents.

Mr Hsu Shui-teh, KMT secretary-general, said: "In an international environment in which many ruling parties are being turned out of office, we cannot say that to retain the same number of 13 mayoral seats was a loss."

Mr Hsu of the DPP said Mr Lee was now in a position to step up plans to push through a constitutional amendment for direct presidential elections and run for the post himself.

But ha said Mr Lee "had expended much political capital" by exposing himself to criticism from the DPP in the campaign and would enjoy less political momentum going into a presidential race.

Industrial park for Bangalore

A Singapore-based consortium led by state-controlled enterprises is joining together with India's Tata group to develop a S$250m (£106.4m) industrial park in the southern Indian city of Bangalore, writes Kieran Cooke in Kuala Lumpur.

The Singapore consortium, led by state-controlled Singapore Technologies Industrial Corporation and Technology Parks ,will have a 40 per cent in the project.

Tata will have a 40 per cent staka while the Karnataka state government will have the remaining 20 per cent.

Ankara PM in reshuffle

Turkish Prime Minister Tansu Çiller yesterday reshuffled her cabinet, changing five ministers of her own True Path party, Reuter reports from Ankara.

Mrs Çiller, who took office in June, made no changes among ministers of her coalition government's junior partner, the Social Democrat Populist party, the Anatolian newa agency reported.

All the True Path ministers had resigned to give Mrs Çiller a free hand to reshape her cabinet.

Past and present woes combine to test Gaidar

John Lloyd follows the advocate of reform on the campaign trail to Vorkuta

Mr Yegor Gaidar, fighting for the politics of reform against worsening polls for his Russia's Choice party, at the weekend met a Soviet nightmare – and one of his own.

The first deputy premier, campaigning for national elections on December 12, arrived in the town of Vorkuta on Friday. Earlier in the week, he was mauled by industrialists struggling with his market reforms in the city of Ulyanovsk.

"At the beginning of the week we met the problems of the future," said Mr Alexei Ulukayev, a Gaidar adviser. "Now we meet the problems of the past."

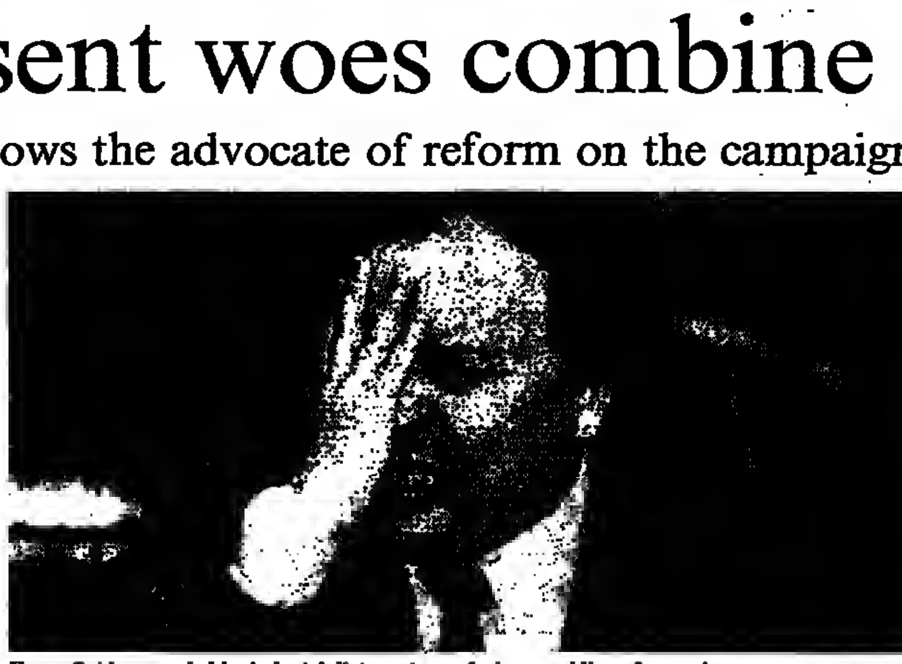
It is a hideous past: the name of Vorkuta is a horror akin to Auschwitz. Created in the 1930s by the secret police, Vorkuta had two functions: to accommodate millions of political prisoners, and to mine in an area where few would voluntarily work. The Vorkuta-Pechora basin – rich in coal, oil, bauxite and precious metals – was opened up by convicts or *zeks*, who built it in conditions which froze them alive when they dropped from exhaustion.

Nikita Khrushchev's liberation of the *zeks* in the mid-1950s meant the replacement of coercion by attraction – the attraction of high salaries. Miners' wagas are now between Rbs200,000 and Rbs700,000 a month, at the top of Russian state wages. The bargain has been that a worker prepared to stay through winters where the temperature falls to -50 degrees, would get relatively rich.

But the bargain is coming unstuck. Desperate for savings, the govarnment has cut regional subsidies which maintained pensions and benefits at between one-third and one-half higher than in the rest of Russia. Mrs Marina Sokolova, a miners' widow, had a cut in her pension from Rbs66,000 to Rbs44,000 a month. "I'm not used to living on that. We never had poor people here, but now we have. They stand in the doorways of shops, out of the cold, begging."

Since autumn, the government has also delayed paying the miners' wages – by up to three months. Vorkuta's 25,000 miners threatened to strike. Tha threat is taken seriously by the government – even though this is not the major coal-producing region of Russia and the miners are split. One pit has four competing unions.

"When the unions went on strike in 1989, [Soviet premier Nikolai] Ryzhkov fell," says Mr Roman Siroziev, leader of the new independent union's strike committee. "When they went on strike in 1989, Gorbachev fell. Judge for yourself."



Yegor Gaidar: mauled by industrialists and now facing rumblings from miners Associated Press

This is hyperbole, but with a basis in fact. The miners were promoted as the proletarian vanguard in Soviet times, and their defection from communism and support for Mr Boris Yeltsin was of huge importance for tha latter'a presidency. They have been kept sweet since 1991 by big rises and by a freeze on pit closures – meaning that pit subsidies now account for the largest single expenditure in the budget. Their opposition during an election would be a huge blow.

The Vorkuta men deny a political aim – in spite of gleeful headlines in the opposition press declaring that they had demanded Mr Yeltsin's resignation. "We have never said this," says Mr Murat Bugulov, a leader of the new independent union. "We know the risk we run of halping the communists or Zhirinovsky [neo-fascists] coming to power. But the governmsnt must fulfil its responsibilities."

Vorkuta is among the most extrema examples of resistance to market economics. It produces for the state and is kept going by the state: any enterprise beyond a small trading company would flee from the huge extra costs of working in the Arctic. Mr Nikolai Pobov, a lawyer working for the miners' unions, says that "the miners helped create Yeltsin and supported his reforms: now they find market reform is directly threatening their interests".

Mr Gaidar flew to this unpromising campaign opportunity through a snowstorm last Friday night to meet leaders of the miners and heads of the republic of Komi, where Vorkuta is situated. He came as a minister and as head of the special commission on coal – an unwelcome responsibility dumped on him by Mr Viktor Chernomyrdin, the prime minister – and not as a party leader. But in practice these roles are now inseparable.

Late upon arrival, he was taken by bus to the biggest hall in town to take his seat as guest of honour at a gala show – in celebration of the first half century of the official existence of Vorkuta.

It was an uncomfortable event: not in itself, for it was well staged and jolly, but for the echoes of the place's ghastly past which could not be suppressed. A singer from the border guards (a KGB division) gave a fine rendering of an awful song, "Vorkuta is Vorkuta", which contained such sentiments as "the frost is cold" and "our history is a sad one" juxtaposed with "but our hearts are warm" and "we believe in our future". It was the leitmotif of the evening.

Mr Gaidar,in his obligatory speech, evoked the murderous past. But his ending was upbeat – Vorkuta had a future, the lesson was to remove the hopeless pits and enterprises and move to profitable production. He got mild applause.

After his meetings with the miners on Saturday, Mr Gaidar claimed that he had "reached mutual understanding on many points" – which seemed to be coda for not reaching understanding on others. Mr Oleg Soskovets, another first deputy premier, told the Interfax agency at the weekend that Rbs77bn had been found to pay back wages – largely by squeezing back debts from tha steel plants.

On Saturday night, he flew on to Kuzbass – the larger coal basin in southern Siberia, in which strike threats have also been made and to which Vorkuta delegates have gone for support. A strike threat from last Wednesday still stands – and talks between the national miners' leaders and Mr Gaidar resume in Moscow today.

A patched solution is the best bet. But the past, and present, nightmare of Vorkuta is not lightly exorcised. "In the end," says Mr Bugulov, "they have to decide: do they want us to exist or not. That's what it comes to."

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Saxony-Anhalt ministers resign after disclosure that they overpaid themselves

E German state government quits

By Judy Dempsey in Berlin

Mr Werner Münch, tha prime minister of the eastern German state of Saxony-Anhalt, yesterday offered the resignation of his entire government following official disclosures that west German members of his cabinet had paid themselves too much.

He said that ministers would remain in office as a caretaker administration until new elections can be held.

The resignation of the conservative-led Christian Democratic Union guvernment, which is in coalition with the liberal Free Democrats, represents another blow to Chancellor Helmut Kohl, whose own federal government in Bonn comprises a similar coalition. Last week he was forced to accept the withdrawal of Mr Steffen Heitmann, the justice minister of Saxony, as candidate for the presidency. He had been Mr Kohl's chosen candidate for the post.

It is also a setback for the other established political parties. All of their ratings among east Germans have plummeted following a series of corruption scandals in western Germany, as well as disenchantment with the status quo because of high unemployment in the five eastern states.

Mr Münch, a former member of the European Parliament and university lecturer, told a news conference in Magdeburg, the state's capital, that neither he nor other ministers had received "at any time illegal payments... This resignation can only be explained as a step to prevent further damage to our families, our state and our governing bodies."

Tha state audit office in Saxony-Anhalt reported at the weekend that the west German politicians who had moved to the state as ministers after unification had together overpaid themselves by as mucb as DM900,000 (£357,000) since they took up their posts in mid-1991.

It added that the ministers, including Mr Müncb, had inflated their salaries with excessive entertainment allowances, which had swelled their income by DM200,000 in the past two years.

Officials in Saxony-Anbalt said last night that, by offering the resignations now, tbe CDU and the FDP might be trying to limit the damage in time for federal and state elections which will be held next year.

Next Sunday's local government elections in the eastern state of Brandenburg, headed hy the Social Democrats, are likely to provide reliahle indications about the mood among east Germans.

Tbe west German cabinet ministers named for excessive payments also include Mr Horst Rehhurger, the Free Democrat economics minister, regarded as responsible for attracting private investment into the region; Mr Hartmut Perschau, interior minister; and Mr Werner Schreiber, social affairs minister.

Press review, Page 4

Geneva talks on Bosnia

By Laura Silber in Geneva

In a last-ditch attempt to revive talks on Bosnia's partition, leaders of the repuhlic's warring parties today meet European Union foreign ministers in Geneva.

The meeting aims to establisb a platform for fresh talks, centring on a phase-out of sanctions on Serhia and Montenegro in exchange for territorial concessions by Bosnian Serbs to the Moslems.

Five people were killed and five wounded in Sarajevo yesterday when a sbell exploded in a city street, showing there was no sign that tbe violence might end or that Serb, Croat and Moslem leaders would succeed in reacbing a political settlement for the repuhlic's division into three ethnic states.

Before leaving for Geneva, Mr Alija Izetbegovic, the president of Bosnia, urged tighter United Nations sanctions on Serbia if the Bosnian Serbs refuse to hand over land.

"If the Serh side does not return territories, sanctions should he tightened and not lifted," he told a news conference in Sarajevo, which is besieged by Serh forces.

The EU initiative is a revitalised version of a deal, mediated hy envoys Lord Owen and Tborvald Stoltenberg, which collapsed in September when Bosnian Serbs refused to meet Moslem demands for 3-4 per cent more territory in order to create a viahle state.

In an ominous signal for tbe Geneva talks, Mr Radovan Karadzic, Bosnian Serh leader, said at the weekend his forces, which control 70 per cent of Bosnia, would insist on tbe lifting of sanctions on Belgrade before conceding any land.

Serb leaders who previously endorsed the Geneva plan to hand over 20 per cent of their land show no trace of intending to fulfil their pledge. In fact, their troops are seizing more Moslem-beld land in northeast Bosnia.

They are apparently confident sanctloos will be lifted anyway. However, Serhian President Slobodan Milosevic is likely to press his Bosnian proxy, Mr Karadzic, to band over land in an attempt to get the sanctions eased before elections on December 19.

Press review, Page 4

Berlusconi's broadcasts raise worries

By Haig Simonian in Milan

Prominent Italian left-wing and centrist politicians yesterday warned against the misuse of media power after Saturday's decision by Mr Silvio Berlusconi to use his private televisinn channels to broadcast a 90-minute press conference outlining his political ambitions.

Prime-time viewers of Canale 5, the most popular of the three channels owned by Mr Berlusconi's Fininvest group, were dumbfounded to find an advertised feature film replaced by an unedited broadcast of Mr Berlusconi'a political debut before the foreign press association in Rome the previous day.

Earlier on Saturday, the schedule on Rete 4, another Fininvest channel, was changed to make way for the same event. Togethar, the three Fininvest channels regularly account for the lion'a share of Italian viewing figures.

The *summary* use of the *two channels* confirmed fears among Mr Berlusconi's critics, who last week warned of possible abuse of his media interests. Yesterday, Mr Vincenzo Vita, of the left-wing Democratic Party of the Left, said it highlighted the "risks connected to Berlusconi's presence in hroadcasting".

Mr Giorgio Napolitano, president of the lower house of parliament and a senior member of the left-wing Democratic Party of the Left, pointed to the risks inherent in any leading businessmen getting into politics. In such circumstances, "the institutions [of the state] must take responsibility to guarantee the maximum balance in use of the media", he said.

Occhetto tries to break free from communist past

The leader of Italy's PDS must convince the world his party could form a credible government, writes **Robert Graham**

Mr Achille Occhetto, the 57-year-old leader of Italy's Party of the Democratic Left (PDS), bas launched a charm offensive.

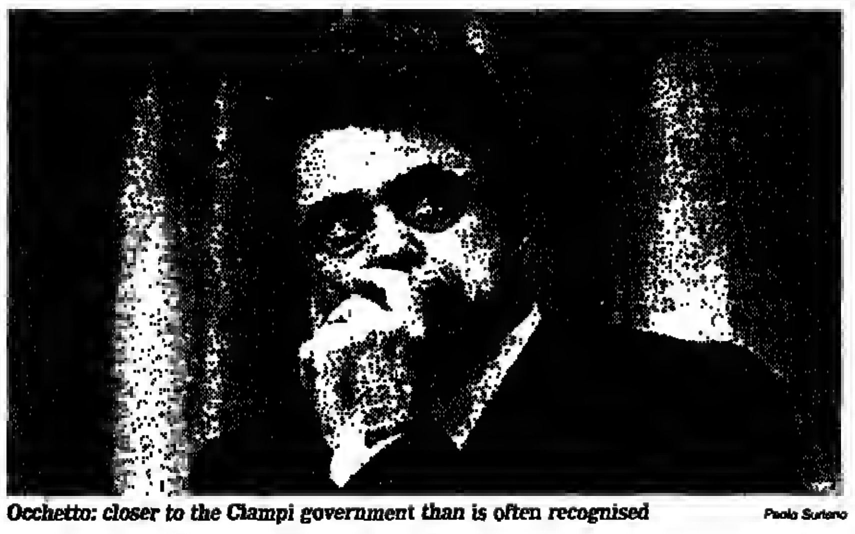
Fresh from his party's success in the first round of local elections last Sunday, he is now trying to convince Italians, and the international community at large, that the PDS is no longer a prisoner of its communist past and that it could form the credible core of a future government.

The lira lost ground early last week because speculators reacted with alarm to the prospect that former communists might dominate Italy's next government. Thus, the first stage of Mr Occhetto's offensive was his call early in the week to the financial markets for calm.

This he followed by indicating his willingness to help the government of Prime Minister Carlo Azeglio Ciampi to ensure the passage of the 1994 budget legislation – vital for Italy's international credibility. He also submitted himself to a critical grilling from European Union ambassadors on his party's economic policy.

As he talks about PDS strategy, in the same imposing offices that once housed the *defunct Italian Communist party (PCI)*, Mr Occhetto seems to have dropped his often criticised ambiguity. He has sensed the whiff of power, and he is obliged to define what the PDS stands for.

The budget will he a key test: the Ciampi government will resign if the legislation fails to pass. Mr Occhetto wants to avoid this at all costs. He would prefer the PDS to abstain and avoid associating with a discredited Christian Democrat-led majority. "But", he says, "if the old centrist majority disappears in parliament, we are prepared to assume our responsibility *[and vote] to approve the hudget on condition* that parliament is dissolved immediately thereafter."



Occhetto: closer to the Ciampi government than is often recognised Paolo Suriano

Although 2,500 amendments have been tabled in parliament, he believes the hudget will pass in time, before the end of December. He argues for early dissolution, saying, "This parliament has reached the limits of its credihility. There are too many people there who no longer represent the electorate to whom they are responsible."

However, Mr Occhetto has been closer to the Ciampi government than is often recognised. Three PDS ministers were chosen by the prime minister, but withdrawn hy Mr Occhetto hecause the four-party coalition backing the government voted to retain parliamentary immunity privileges to avoid corruption enquiries.

Mr Occhetto describes this vote as "morally unacceptable". However, the withdrawal of the ministers, only 10 hours after being sworn in, enahled him to head off a potential storm.

He clearly feels better equipped to oppose internal criticism and is open in the way he "appreciates" the present government's efforts to reduce Italy's huge puhlic sector deficit.

A PDS-hased government, he says, would "continue the restructuring of public finances and the reorganisation of the civil service". The idea of a "spendthrift" left, feeding a large public sector, was over. Funds needed to relauncb the economy would have to be found without increasing deht levels. He says mucb can be done by selling off the state's buge stock of property, worth L30,000bn (£12bn). A late convert to privatisation, Mr Occhetto says he will not oppose the plans already under way. However, the PDS would seek to give more direction to industrial policy and encourage more research. His main concern is joh creation, and this is where a progressive government would place more emphasis. He endorses the idea of "solidarity contracts" – in the form of job-sbaring or a reduced working week – to get round the recession.

This is a long way from the prevailing party ideology in 1988, wben he was first elected bead of the Communist party. It is also a remarkahle evolution from the founding days of the PDS in February 1991. But he is not surprised: "There had long heen a social democrat strain in the PCI... that had similarities with Germany's SPD."

The party proudly wears its label of the Left and has heen admitted to tbe Socialist International. Yet, when pressed to define the nature of the modern Italian left, Mr Occhetto is without a quick slogan; nor does he refer to the welfare state. Endorsement of the proposed 1994 budget would mean rolling back welfare benefits and pension privileges. A sore point, too, is the unresolved rivalry with former fellow members of the Communist party who split to form the hardline Reconstructed Communism with nearly 10 per cent of the old membership.

He is selling himself as the leader of the *first party* to hreak witb tbe past. *He* insists tbat tbe party has not been involved in systematic corruption and blames tbe Christian Democrats and Socialists as the worst offenders. But he is *cynical about the real culprits* being punished. "In this country you catcb the robbers, not tbe assassins," be observes with wry bumour.

Altbough some 112 PDS affiliates have fallen foul of corruption investigations, this has yet to affect voter support. The PDS is attracting some 16 per cent of the vote nationwide.

To obtain power, Mr Occbetto was astute enough to realise early the need for alliances: "It has required great patience to get this idea across. We are a moderate force, the only one capable of drawing the disparate forces on the left together."

The PDS is tbe sole party witb a national organisation, inherited from the Communist party. Through this, the PDS has established a series of local alliances with the Greens, Radicals, left-wing Catholics, former Socialists, even some Communists, and some dissident Christian Democrats.

"The country is not yet ready for an Anglo-Saxon division into two parties," he says. "The next elections will be fought between two hig coalitions on the left and the right; the moderates in the centre [essentially the ruling four-party coalition] will divide hetween those ready to govern with the left and those ready to govern with the right."

He has got a head start hy laying the ground for such a coalition on the left in local elections. He now has to mould this at the national level.

Mahathir row with Keating intensifies

By Kieran Cooke in Kuala Lumpur

Blunt-talking Australian politicians have often ruffled the sensitivities of neighbouring governments in southeast Asia. But, now, just as Australia is making a big push to become more interlinked with the dynamic economies of the region, the country's straight-talking prime minister, Mr Paul Keating, has provoked a row with Malaysia.

Mr Keating has been critical of Malaysian Prime Minister Mahathir Mohamad's non-appearance at the recent Apec summit, and Malaysia struck back at the weekend.

Dr Mahathir had said that he did not attend the summit because certain countries, mainly the US and Australia, were trying to railroad Apec into becoming a organisation structured along the lines of the European Union.

"Please don't ask me any more questions about Dr Mahathir," Mr Keating said to the Australian press corps. "I couldn't care less, frankly, whether he comes or not. I am sick of... questions about Dr Mahathir... Apec is bigger than all of us... Australia, the US, Malaysia, Dr Mahathir and any other recalcitrants."

At the weekend, Mr Mohamad Rachmat, Malaysia's information minister, announced that Malaysia would be banning Australian-made TV programmes and advertising material and that Malaysia's state-controlled broadcasting service would be reporting only negative news about Australia.

"This," he said, "is to tell the Australian government and media that what was said by Keating was not only an insult to our prime minister but also to the Malaysian people and to the country." He insisted that Mr Keating publicly apologise.

Dr Mahathir, himself not averse to the occasional undiplomatic verbal thrust, said that he was disappointed with Mr Keating but chose to lay most of the blame on the Australian media: "Some newspapers made me out to be a difficult person and very unpopular and that Malaysia was about to burst into racial violence."

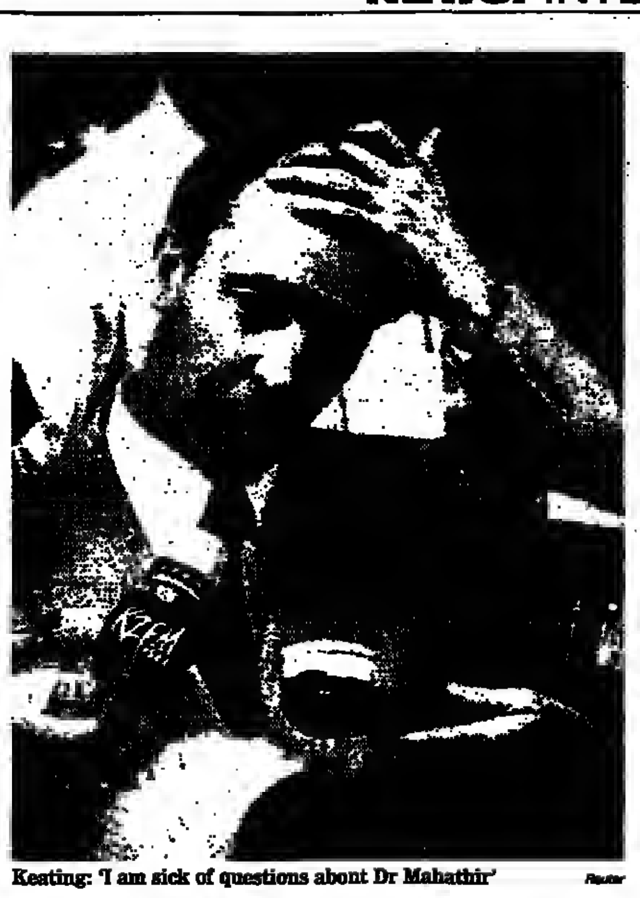
Australia's claim to be part of Asia was meaningless. "How", he asked, "can Australia claim to be part of Asia when Australian journalists lack manners? It is difficult for us to love Australia."

While the Malaysian media and political opposition also joined in the war of words, the row will probably be resolved by diplomacy.

Mr Keating, due for an official visit to Malaysia next year, has made closer relations with southeast Asia the central point of his government's economic and foreign policy. "For the first time," says Australian Foreign Minister Gareth Evans, "Australia is paying more attention to its geography than its history."

Australian exports to the region have been growing rapidly. Two-way trade with Malaysia rose more than 30 per cent in 1992-93 to A$2.3bn ($1.6bn), with Australia showing a healthy surplus. Australian investors are involved in several big projects in Malaysia, particularly in the mining and petrochemical sectors.

But Australia's relations with its Asian neighbours are never easy. Relations with Indonesia have only recently improved. A few years Malaysia took offence over an Australian TV series which depicted life in an Australian embassy. Kuala Lumpur said the series was modelled on Malaysia and was very insulting. "It's a clash of styles" says a Malaysian academic who studied in Australia. "Australia's politicians and its press can say anything they want. We have to be a lot more careful about what we talk about. Australians are going to find life very difficult as Asians."



Keating: 'I am sick of questions about Dr Mahathir' Reuter

Mahathir: 'It is difficult for us to love Australia' Reuter

Pakistan refuses to stop nuclear programme

By Farhan Bokhari in Islamabad

Pakistan said yesterday it would never give up its controversial nuclear programme until there was an agreement to make the entire region a nuclear weapons-free zone.

Mr Sardar Assef Ahmed Ali, the country's foreign minister, made the statement during an abortive debate in parliament which ended in disarray when opposition MPs led by former Prime Minister Nawaz Sharif, stormed out of parliament in protest at a government attempt to obstruct open discussion on the nuclear issue. The government cited security reasons.

Pakistan has admitted its ability to build a bomb, but claims its programme is strictly peaceful.

"The present peaceful programme will continue," the foreign minister said to an almost empty house after the opposition had left.

The government of Prime Minister Benazir Bhutto has come under fierce attack from opposition critics in the PML (Pakistan Muslim League) who are demanding a full explanation of the country's nuclear policy.

Their demands have gathered pace since last week's reports that the Clinton administration wants to introduce new legislation which would end the military and economic aid cut-off against Pakistan.

That cut-off was introduced three years ago following allegations that Islamabad had acquired the capability to produce nuclear weapons. Pakistan denies the charge. But last week's reports from Washington have raised fresh concerns among Pakistani nationalists, who fear that the nuclear programme which has already been "capped" or put at a standstill may be "rolled back" or cut down in size, as part of a deal.

Last week's move in Washington is the most significant step to resolve the dispute since the aid cut-off. However, it is not clear if a bill to lift the embargo against Pakistan would be passed in the US congress.

Army purge strengthens Nigeria's military ruler

By Paul Adams in Lagos

General Sani Abacba strengthened bis position as Nigeria's new bead of state at the weekend by purging army officers loyal to the former military ruler, Gen Ibrahim Babangida. He also formed a civilian cabinet whicb balances tribal loyalties and includes some respected ministers.

The moves show Nigeria's military ruler, wbo seized power on November 17, combines ruthlessness and persuasion in dealing with opponents.

Following last week's forced retirement of Lt Gen Aliyu Mohammed as head of the army, the removal of 17 officers including nine brigadiers is seen as a decisive blow to Gen Babangida's remaining support in the armed forces. A resbuffle in September under tbe interim government had failed to curb pro-Babangida factions at the senior level or to qoell unrest in lower ranks.

The 33-member cabinet, known as the executive council, includes several supporters of Mr Moshood Ahiola, who emerged the unofficial winner of the annulled presidential election in June. The cabinet is headed by Gen Abacha and the chief of geoeral staff, Lt Gen Oladipo Diya, who comes from the pro-Ahiola south-west, and includes as foreign minister Mr Babagana Kingibe, interior minister Mr Akex Ibru and education minister Dr Iyorchia Ayu.

The finance minister, Mr K I Kalu, served in the same post in tbe mid-1980s, earning respect as an advocate of market reforms. Together with Mr Paul Ogwuma, a recent appointment as central bank governor, Mr Don Etiebet, who is retained from the interim government as oil minister, and Mr Adamu Ciroma, another former finance minister, Gen Abacha has an economic team which, if allowed free rein, could achieve reforms that western creditors are seeking.

Medellín drug chief may surrender to authorities

By Sarita Kendall in Bogotá

The flight of Pablo Escobar's family from Colombia has fuelled speculation that the Medellín drug chief is about to surrender again to the authorities.

Escobar has been on the run since he escaped from jail 16 months ago.

Last week the prosecutor general said official protection for Escobar's wife and children would be withdrawn. Recently an anti-tank rocket was fired at the family flat and there have been numerous attacks on Escobar's property and associates.

Family members were allowed to fly to Germany yesterday, but it appeared they would be sent back to Colombia if no other country offered them asylum.

A recent attempt by other relations to find asylum in Chile also failed.

The German Interior Ministry said the family members, who were questioned by police for four hours, were not welcome and would not be allowed to enter Germany.

Local television and radio in Bogotá had said the family's departure to a refuge abroad was part of an arrangement with the government that included the surrender of Escobar.

With the discovery of dozens of his hideouts and the loss of so many of his henchmen following an extensive police hunt, it has become difficult for Escobar to stay ahead of the authorities.

Most of those who escaped from jail with him have either been recaptured or killed – but Escobar clearly has enough supporters to shelter him.

Although the Medellín cartel no longer has the structure to deal and transport huge volumes of cocaine, Pablo Escobar is still a powerful figure whose recapture, surrender or death would haved enormous symbolic importance for the government.

NEWS IN BRIEF

Israel hopeful of PLO deal

Israeli ministers yesterday played down talk of a crisis in the autonomy negotiations with the Palestine Liberation Organisation, writes David Horovitz in Jerusalem. PLO Chairman Yassir Arafat, who spoke on Saturday of an "impasse", said he was ready to send delegates back to the negotiating table tomorrow.

Israeli ministers conceded that, less than three weeks before the Israeli army is due to withdraw from the Gaza Strip and the Jericho area of the West Bank, there were still deep differences with the PLO over several substantive issues. The most crucial concerns the planned army redeployment in Gaza. The PLO wants all troops withdrawn; Israel insists on maintaining a presence to ensure the security of 5,000 Jewish settlers in the Strip.

Nevertheless, Israel's environment minister, Mr Yossi Sarid, declared confidently: There are difficulties, but they are not insoluble."

Air France losses grow

Air France, the state-owned airline, will this year lose FFr7.5bn ($1.26bn) and see a further decline in its world market share, Mr Bernard Bosson, the transport minister, said at the weekend, writes David Buchan in Paris.

With estimates of its 1993 losses steadily worsening from the FFr3.5bn deficit forecast in April, Mr Bosson told the Senate "this shows how quickly the company has been sinking". He also said it had been Prime Minister Edouard Balladur's personal decision to reject the "800 straight redundancies" contained in the austerity plan of Mr Bernard Attali, the former Air France president, who resigned after the government gave in to striking airline staff. The prime minister would countenance only "a few dozen" layoffs, Mr Bosson said. Mr Christian Blanc, Air France's new president, is re-negotiating the Attali plan with the unions.

Brazil near debt accord

A large majority of Brazil's foreign bank creditors support the $52bn debt agreement due to be signed in Toronto today, writes Richard Waters in New York.

By the end of last week, creditors accounting for 86 per cent of the debt had backed the deal, said Mr Bill Rhodes, vice-chairman of Citibank. With more European and Japanese banks expected to communicate agreement by this morning, the proportion should reach 90 per cent, he said. The deal needs 95 per cent support to be triggered but banks supporting the deal are confident it will go through. Brazil has yet to reach an agreement with the IMF, on which the bank deal depends. Economic reforms outlined last week are intended to form the basis for such an agreement.

'Roll up sleeves' – Kohl

Chancellor Helmut Kohl yesterday called for "unconventional solutions" and new labour practices to pull Germany out of its worst post-war recession, Reuter reports.

Harking back to Bonn's "economic miracle" of the post-war years, he told a business conference that Germans should "roll up our sleeves in the current recession and structural crisis, just as we did with great success in the 1950s".

"We need a healthy economy [with] secure and competitive jobs," he told the conference organised by the German Chamber of Handicrafts in Karlsruhe.

Shipowners in dispute

European shipowners yesterday sought to take the heat out of a dispute with their customers over freight rates across the North Atlantic, writes Charles Batchelor in London.

European Unioa ministers will *later* today review a special exemption granted to shipowners which allows them to group together in "conferences" to agree prices on certain routes. Belgium, as president of the European Union, is to file a motion confirming the exemption for conferences.

Shippers have protested that the pact between large shipowners such as P&O, Nedlloyd and Hapag Lloyd has been used to push up freight rates.

The shipowners counter that before the agreement was reached freight rates for a standard container had fallen from $1,600 to less than $900.

Border deaths probed

The Venezuelan government is investigating reports reaching Caracas at the weekend that 19 members of the Yanomami tribe died and many became seriously ill from mercury poisoning, writes Joseph Mann in Caracas.

INTERNATIONAL PRESS REVIEW

Japan

Capital punishment made a rare appearance in the Japanese press highlighting the new fashion for public debate of sensitive matters symbolised by the open style of the Hosokawa government.

Reports by Amnesty International and other human rights groups in the **Daily Yomiuri** and **Japan Times** say that up to four convicted murderers were hanged on Friday, the first executions under the new government. The most recent executions were in March, when three were hanged.

Curiously, as the Japan Times points out, Japanese law only allows the death penalty if it is not "cruel", an ambiguity which gives human rights groups a field day. Just as oddly, the Justice Ministry never announces executions, beyond telephoning families a day later, in an attempt to keep hangings out of the press. Neither do the authorities inform those on death row, so they live every day thinking the end is imminent.

On this, the government is a secretive as ever, despite the Hosokawa effect. The information only comes out thanks to Amnesty's diligence in keeping in touch with families of those under penalty of death, of which 55 remain.

Amnesty admits in the Yomiuri that it still had difficulty over the weekend in persuading people to sign petitions against capital punishment. Still, the coverage accorded to the executions by the normally compliant Japanese press, could indicate emergence of public opinion on the subject.

Serbia

If **Vecernje Novosti**, the Belgrade daily in the grip of Serbian President Slobodan Milosevic, is to be believed, UN sanctions on Serb-led Yugoslavia will be lifted any day now.

Headlines promise Serbs a swift improvement of the grim economic situation, heralding a "winter without sanctions". The United Nations 18 months ago slapped sanctions, including an oil embargo, on Belgrade for supporting the violent partition of Bosnia.

But **Novosti**, the biggest circulation newspaper, boasts how Serbia has been vindicated, with the west finally coming round to the Serbian side. There is no mention that sanctions will be lifted only if Bosnian Serbs hand over land to their Moslem foes.

The alleged promise to allow the delivery of heating oil and petrol to Serbia coincides with parliamentary elections due to be held on December 19.

While the independent newspaper **Borba** or weekly **Vreme** more realistically inform Serbian readers on the current chances for a peace settlement and lifting of sanctions, few people can afford to buy them. Recent surveys indicated only 5 per cent of the population buy newspapers; most people rely on the seemingly omnipotent **Television Serbia** for information. Pro-Milosevic papers are heavily subsidised by the cash-strapped government.

Loath to miss an opportunity to demonise their independent competition, Belgrade press under Mr Milosevic dismissed their rivals as "traitors to Serbia" when Borba and Vreme recently received a badly-needed delivery of newsprint and other supplies from the European Community Humanitarian Organisation (Echo).

Bosnian mother and child: hoping for an end to war Reuter

Germany

Mr Steffen Heitmann, Chancellor Helmut Kohl's chosen candidate for the presidency, might finally believe the gods are on his side. He and his aides were dreading the days after his decision to pull out of the race for the country's highest office. But the media has been distracted by scandal in the state government of Saxony-Anhalt in eastern Germany.

Finding a consensus candidate for the presidency after the resignation of Mr Heitmann, an east German, ran a close second in yesterday's papers – from **Welt am Sontag** to Berlin's **Tagesspiegel** – to the story about the resignation of the Saxony-Anhalt cabinet.

But the press has made clear it is not getting at the east Germans: in fact, it is the *Wessis*, the west Germans, who come in for stick, since the key positions in Saxony-Anhalt's government are held by west Germans. This seems to rule out the conspiracy theory, held by many in the east German press, that all *Ossis* are seen by their western counterparts as incompetent and inarticulate.

The fact that any notion of a media conspiracy against *Ossis* might be misplaced can be of little comfort to Mr Heitmann. It has been clear in the press in the past three weeks that the governing Christian Democratic Union, which endorsed him as its presidential candidate, was getting cold feet. The conservative **Frankfurter Allgemeine Zeitung** has been cheering for Mr Roman Herzog, president of the constitutional court. Not just because he is more careful and articulate than Mr Heitmann; but because the CDU's rank and file were fed up with the way Mr Kohl and Mr Peter Hintze, general secretary of the CDU, had foisted the Saxon upon the party without any discussion. By early last week, publications ranging from the weekly **Stern** magazine and the liberal daily **Süddeutsche Zeitung** to the left-wing **Frankfurter Rundschau** were all in agreement that it was time for Mr Heitmann to go.

The east German press has expressed anger about the way Mr Heitmann was foisted upon them too, and the way the campaign discredited the presidency. In a sober leader, the Dresden-based **Sächsische Zeitung** said it was time to repair the damage. This would probably mean Mr Kohl forgoing his chance to have an Ossi – and a subservient one at that. It wrote: "Ostkandidate Ade" – easterner candidate, Adieu!

United States

The ground of American culture shifted last week as America's most powerful theatre critic wrote his last review. Mr Frank Rich, who for 13 years has been the **New York Times'** chief theatre critic, will leave that position on Wednesday to become columnist for the Times, an appointment which is among the highest honours for a Times staffer. Mr Rich, who is 44, will write a twice-weekly column on American society and culture.

Mr Rich has been replaced as chief theatre critic by Mr David Richards, 53, who has served as the Times' Sunday theatre critic since 1990, after nine years as theatre critic of the **Washington Post**.

The position of Times chief theatre critic is traditionally a powerful one which, under Mr Rich's tenure, has taken on new heights of influence. Though his name has been largely reviled among theatre folk, he earned the respect of his colleagues in the press; local and national coverage of his move has been surprisingly decorous.

Press and theatre community alike are adopting a wait-and-see attitude towards Mr Richards, whose graceful writing is widely admired.

Contributors: William Dawkins in Tokyo, Laura Silber in Belgrade, Judy Dempsey in Berlin, and Karen Fricker in New York

● McGuinness talks of 'weekly' exchange ● Ministers fear tension could be heightened

Dublin and unionists knew of IRA contact

By Tim Coone

The furora over the British government's admission of secret contacts with Sinn Féin, tha political wing of the Irish Republican Army, was tempered by the disclosure yesterday that the Irish government, the Ulster Unionist Party (UUP) and the Democratic Unionist Party (DUP), knew meetings were taking place.

The first contact between UK officials and Sinn Féin, which is seeking a united Ireland and the withdrawal of British troops from Ulster, took place in September 1990 at the request of the British government, according to the repuhlican party.

Mr Martin McGuinness, the Sinn Féin chief of staff, told BBC Television yesterday that this meeting led "fairly intense contact between the British government representatives and ourselves and culminated this year in intensive contacts".

He said "face-to-face" dialogue was halted in July this year at the time of the House of Commons vote on the Maastricht treaty – inferring such links might hava compromised the UUP's crucial support for the government over closer European ties.

Mr McGuinness said that since the vote contact has continued since "on a weekly basis and sometimes on a daily basis".

Mr Ken Maginnis, the deputy leader of the UUP said yesterday: "It is my understanding that for some time the IRA has been talking about a ceasefire and has spelt out its price for that."

He said that tha UUP knew these contacts had been taking place since last March, and that through "on-going liaison" with the government "by June we suspected what was happening".

It was then that Mr James Molyneaux, the UUP leader, "made his feelings known to the prime minister", he said, and contact with Mr McGuinness was broken, before the Maastricht vote in July.

Mr Maginnis said the UUP's position since then, has been to offer a seat at the negotiating tahle to Sinn Féin in return for a verifiable cessation of violence. "We didn't stick our necks out without knowing what we are dealing with," he said.

The Rev Willie McCrea MP, of the Democratic Unionist Party said yesterday that the DUP has had "documentary evidence" of the British government-IRA contacts for the past four weeks.

Sources, meanwhile, within Sinn Féin said Mr Gerry Adams, the party leader, decided to make the contacts public two weeks ago, hecause of leaks by unionist politicians and to repudiate a statement by Mr John Major that it "would turn his stomach" to talk to the IRA.

The Irish government was yesterday playing down its own knowledge of the contacts. A government spokesman said only "It is up to the parties concerned to commeot".

However, Mr Albert Reynolds, the Irish prime minister, hinted in the Irish parliament (Dail) earlier this month that his government had been having its own contacts with Sinn Féin.

This was later confirmed by Mr Brian Lenihan, chairman of the Irish parliament's foreign affairs committee. A week ago he was quoted in a Duhlin weekly newspaper saying that the Irish government bad contacts with Sinn Féin "through intermediaries" and had been aware for some time of similar contacts hy the British government.

"Contact has been going on for months... The contact is not immediate hut the government is aware that contacts are made. Messages are received and are passed on. If we are to acheive peace, these contacts are necessary," he said.

Mr Lenihan, who is a senior figure in the ruling Fianna Fail party said: "We must realise the importance of contact between the two governments on the one hand and paramilitaries on the other. This does not put obstacles in the way of the constitutional parties. In fact, the two efforts compiement each other... History is a record of coming to terms with terrorists and getting them to embrace the democratic process".

IRA history littered with failed talks

The history nf the IRA's campaign is littered with abandoned initiatives between serving politicians and republican leaders, writes Richard Donkin.

Discussions since the early 1970s have been veiled in secrecy because of the sensitivity of the Unionists and successive Irish governments.

Lord Wilson, when leader of the Labour opposition met IRA leaders in Dublin in 1971 and again the following year in England. But the most direct formal talks between a government and republicans came in June 1972 when Lord Whitelaw, as Secretary of State for Northern Ireland, held abortive talks on a ceasefire with republican leaders.

During 1974 and 1975, under tha then Labour government, senior officials regularly met Sinn Féin leaders at Laneside, a large government-owned house to the east of Belfast.

Informal and formal meetings alike have generally caused unease in Ireland. Mr Garret FitzGerald said in his memoirs: "The contacts that had taken place had the effect merely of prolonging violence by deluding the IRA into believing that a British government would eventually negotiate a settlement."

Major embarks on damage limitation

The Sinn Féin 'talks' have given ammunition to the government's critics, writes Philip Stephens

Mr John Major's administration has baen severely embarrassed by the revelations of its contacts with Sinn Féin, the political wing of the paramilitary group held responsible for much of the carnage over the last 25 years.

Although there is nothing new about contacts between British governments and representatives of Sinn Féin, the disclosure of the latest links has fuelled criticism of Mr Major's handling of policy in Northern Ireland.

The prime minister and his government faced a barrage of criticism at the weekend after months of painstaking efforts to nurture a climate of reassurance to allow the resumption of talks on a political settlement in the province.

Opposition leaders joined hard-line Ulster unionists in accusing Mr Major and Sir Patrick Mayhew, the Northern Ireland Secretary, of lies at worst and skilful duplicity at best.

Mr Ian Paisley's Democratic Unionist Party appeared confident that it now had the ammunition to blow up efforts by London and Dublin to agree a constitutional framework for Ulster which would marginalise the terrorists. But Mr Kevin McNamara, the opposition Labour party's spokesman on Northern Ireland, suggested there was no serious question mark over Sir Patrick's integrity.

British ministers acknowledged the disclosure of the talks – just a week after the damaging leak in Dublin of the Irish government's draft proposals for a political settlement – would poison further the atmosphere of distrust which permeates Northern Ireland politics.

Downing Street insisted that no direct lies had been told. Mr Major's constant disavowal of negotiations or talks with Sinn Féin was technically accurate. Replies through intermediaries were not quite the same thing.

That, in the famous words of a former cabinet secretary, is what is known as being economical with the truth.

But Mr Major hopes the publication later today of all the documents which passed between his government and Sinn Féin will begin to repair the damage.

Significantly, the message from Downing Street was that he had fully approved the contacts and would stand firmly by Sir Patrick.

The prime minister would also press ahead with efforts to end the violence and to put in place a durable political settlement.

Officials said the documents would show that the government had been as constant in its approach in private as in public. It had offered a place at the negotiating table to Sinn Féin, but only after a permanent end of to violence.

Government officials were unapologetic about the contacts – Mr Major's view was that the government not possibly ignore the possibility that the IRA was serious about an end to violence.

That possibility was taken seriously by British intelligence and by the Irish government and Mr John Hume, the leader of Ulster's mainly Catholic and nationalist SDLP.

As one British official said recently most of the terrorist organisations which plagued the West since the 1970s – from the Red Brigades to the PLO – had given up.

Even Libya appeared reluctant now to sponsor terrorists. So "We have to allow for the possibility that the IRA has had enough".

Sir Patrick hopes that the mainstream Ulster Unionists led hy Mr James Molyneaux will accept the contacts did not amount to anything approaching a conspiracy to undercut the government's constitutional guarantee on the future of Ulster.

His fear must be that if the DUP led Mr Paisley manages to take grassroots protestant opinion with him, then Mr Molyneaux also will be dragged towards complete disavowal of a search for a comprehensive settlement.

There were one or two hopeful signs yesterday. Conservative MPs strongly committed to the preservation of Northern Ireland's place within the UK chose not to attack the prime minister. Mr Norman Lamont, the former chancellor of the exchequer, said it would have been wrong not to respond to the IRA. Mr Molyneaux, briefed in advance of the revelation, appeared ready to reserve judgment.

But trust – or rather the absence of it – has always been the deciding factor in efforts to restore peace to Northern Ireland. No-one in London could argue that the latest revelations would not arouse further suspicion and hostility.

Mr Major and Mr Albert Reynolds, the Irish prime minister, will try rebuild confidence at their forthcoming summit, still pencilled in for Friday of this week. Mr Reynolds was not told of the British government's contacts with the IRA hut does not want the issue to sour the atmosphere at the summit.

The two leaders will seek to reassure the unionists with a communiqué restating Dublin's willingness to drop its constitutional claim to Northern Ireland and to accept the protestant majority's veto over changes in the status of the province.

Mr Reynolds wants to complement that with a statement designed to reinforce the pressure on Sinn Féin to come in from the terrorist cold – a "framework for peace" whicb would recognise the aspirations of the nationalist community while offering guarantees to the unionist.

But Mr Major will find it hard if not impossible now to maintain contact with Sinn Féin. The need to reassure Mr Molyneaux will make still harder the compromises essential to any political settlement.

In her recent memoirs Lady Thatcher warned her successors of the intractability of Northern Ireland. Distrust mounting to hatred and revenge was never far beoeatb the political surface. "Those who step on it", she concluded, "must do so gingerly". Mr Major no longer needs telling.

Britain in brief

MoD plans house sale to offset cuts

Britain's Ministry of Defence (MoD) has drawn up plans to sell off almost 70,000 houses occupied by armed forces personnel to offset the deep cuts imposed by the Treasury in the £23hn defence hudget.

The scheme, due to he announced as part of Tuesday's Bndget, is expected to raise abont £500m in the financial year heginning in April 1995. It is seen hy ministers as a crucial element in attempts to fight off a threatened rehellion hy hackhench Tory MPs over the scale of forthcoming defence cuts.

It represents also the start of a new wave of new asset sales planned hy government departments to square the circle of the sharpest squeeze for a decade on pnblic spending with commitments to preserve crucial hndgets.

Controversy over Levitt case

The Serious Fraud Office knew Mr Roger Levitt would not go to jail wben it accepted tbe offer of a guilty plea hy the disgraced financial services salesman in return for all other cbarges against bim being dropped.

The SFO said on Friday that Mr Levitt's sentence of 180 hours of community service was a matter for tbe judge alone. Mr Levitt pleaded guilty to deceiving Fimbra, the insurance industry regulator, over the collapse of the Levitt Group with dehts of £34m. Fraudulent trading carries a maximum seven-year jail term.

Sharp warning for Labour

A sbarp warning that Britain's opposition Labour party risks relapsing into the complacency which has lost it the last four general elections is issned today by the Fahian Society.

Ms Glenys Thornton, acting general secretary of the centrist Lahonr pressure gronp, says in a society pamphlet pnhlished today that the party's nnwillingness to confront change threatens to paralyse attempts to create a strategy appropriate to the 1990s rather than the 1960s or 1970s.

In a thinly-veiled criticism of Mr John Smith's leadership, Mrs Thornton says Labour needed to bnild a political strategy which harnessed its traditional collective instincts to the cause of modernisation.

Job fears ease slightly

Fears among British workers that they might lose their jobs over the next 12 months fell slightly in November according to the latest MORI/IRS survey for the Financial Times.

Fear of redundancy and unemployment had risen sharply in the previous month to 53 per cent of those in full-time or part-time work. However, this month the figure fell–back to 47 per cent. Anxiety about prospects is most common among women, part-time workers and the young.

Bank launches credit card

MBNA, the US bank which recently set up its UK beadquarters in Chester, has launched a credit card undercutting most of its rivals by at least four percentage points.

It is offering an introductory annnalised percentage rate rate of just 13.9 per cent APR to those transferring the balance from their existing card to its UK Scenic series Visa cards. The rate is fixed until July 31 1994.

Last Durham pit to close

Miners at Wearmouth, the last pit in the Durham coalfield, voted yesterday to accept closure of their colliery, wbere British Coal halted production on Wednesday.

The closure, on December 10, will bring to an end deep mining in an area of oorth east England where coal has been dug for almost two thousand years.

THE BUSINESS TRAVELLER

Reclaiming VAT around Europe

Michael Skapinker looks at the obstacles to recovering taxes on business services

Stay in London and you can get back the value added tax you pay on your hotels and meals. In Amsterdam, you can claim back VAT on your hotel hill but not on meals. In Paris you lose it all.

Anyone who believes the single market and the European Union are established facts has never looked at the tortuous procedures business travellers have to go through to reclaim VAT on business services.

In principle, someone travelling on business from one EU country to another can reclaim VAT spent on certain services. The first difficulty is establishing which services.

The UK and Germany are generous to business travellers, allowing them to reclaim VAT expended on hotels, car rental and other transport, petrol, meals, professional fees, conferences, trade ahows and training courses. Countries such as France, Ireland and Italy are less open-handed.

Most EU countries allow business travellers from outside the Union to reclaim VAT. Some, like Italy, do not allow non-EU citizens to reclaim unless their own countries offer reciprocal arrangements.

For those who have managed to understand what can be reclaimed, the bureaucratic battle has only just begun.

Big expenditure items on which VAT is reclaimable in EC (%)

Hotel	Car Rental	Petrol	Meals		Transport	Professional Fees	Conference Trade Shows	Training Courses
10	-	-	20	Austria	10	20	20	20
-	19.5*	19.5	-	Belgium	-	19.5	e	19.5
•	-	25	-	Denmark	-	25	25	25
-	-	-	-	France	-	18.6	18.6	18.6
15	15	15	15	Germany	7 or 15	15	15	15
-	-	-	-	Greece	-	-	-	-
-	-	-	-	Ireland	-	21	21	21
-	-	-	-	Italy	-	19	19	19
3	15	18	3	Luxembourg	3	6	a	6
a	17.5	17.5	-	Netherlands	6	17.5	17.5	17.5
-	-	-	-	Norway	-	-	-	-
-	-	-	-	Portugal	-	16	16	1a
15 or 16	15	15	15 or 18	Spain		15	15	15
12	21*	21	21	Sweden	21	25	25	-
17.5	17.5	17.5	17.5	UK	17.5	17.5	17.5	17.5

*One half of Vat is eligible for reclaim. Source: Meridian VAT Reclaim

There is no central clearing house for VAT reclamation. Nor does the EU have a single working language. Applications in Denmark must be completed in Danish, in Greek in Greece and Dutch in the Netherlands.

Even then for those who do manage to fill in the forms in the correct language, there are traps everywhere. Amoog the most common is failing to get the right invoice for services; invoices must specify what VAT was paid.

Another mistake is to have an invoice made out to the company's subsidiary in the country in which the expense was incurred. Instead, invoices must be made out to the company in the business traveller's home country.

Understandably, given the complications, many companies do not bother to reclaim. They write off VAT paid in another country as part of the cost of doing business abroad.

That was the attitude taken by management consultants Arthur D. Little until a year ago. William Stormont, a director of the consultancy, says: "Our travel bill was very large, hut reclaiming VAT is a very labour Intensive exercise. Understanding the attitudes in each of the countries was quite a deterrent as far as we were concerned," he says.

The consultancy turned to Meridian Vat Reclaim, one of several companies now specialising in making claims. In one year, Arthur D. Little has received £4,500 back after commissions. Stormont admits it is not a fortune, but adds that every bit helps in these difficult times.

UK Customs and Excise publishes a VAT refunds booklet called notice 723.It is available free from HM Customs and Excise, VAT Overseas Repayments, Custom House, PO Box 34, Londonderry, Northern Ireland, BT48 7AE.

LIKELY WEATHER IN THE LEADING BUSINESS CENTRES

	Tokyo	Hong Kong	London	Frankfurt	New York	Los Angeles	Milan	Paris	Zurich
Monday	16	24	4	-2	9	20	4	1	-6
Tuesday	15	26	5	-3	6	19	1	8	-1
Wednesday	15	24	10	-6	7	18	7	2	-3
Thursday	20	24	6	2	9	20	5	4	-1
Friday	14	23	9	3	12	22	7	8	-1

Maximum temperatures in celsius. Information supplied by Meteo Consult of the Netherlands

More than three years after discovering that the city end of the rail link between Rome's Fiumicino airport and the "city centre" was far from central, travellers will be pleased to learn that the service has finally penetrated Rome's heart.

The link, built for the 1990 soccer world cup, was always a disappointment to budget-conscious tourists, as trains stopped about a mile short of the city centre at the suburban station of Ostiense. The obligatory taxi ride into town added L10,000-L15,000 to the rail ticket, now L7,000 (£2.80).

That meant the journey was still only about one third the price of taking a taxi all 18 miles from Fiumicino, but added a great deal of inconvenience. Having to change from rail to taxi (or hike the 10 minutes to the nearest underground stop) meant Ostiense was a drag, particularly after the popular direct bus service from the airport to Rome's main Stazione Termini railway terminus was suspended soon after the new rail link opened.

Ostiense also acquired an unfortunate early stigma after many taxi drivers either boycotted the new terminal or made fictitious claims about "rail strikes" or "problems on the line" to persuade passengers to continue all the way to the airport.

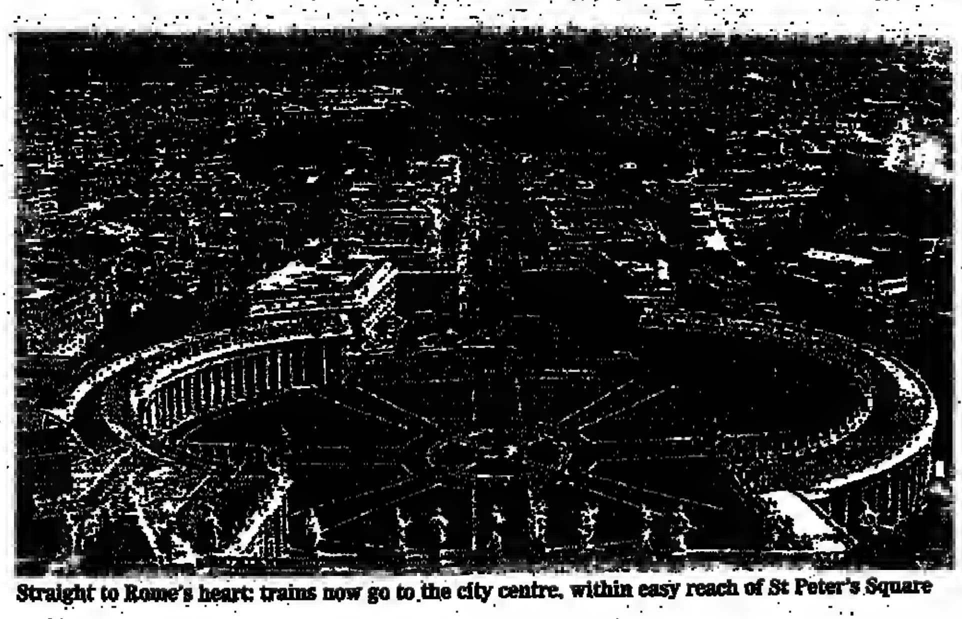
Last Saturday everything changed. Now, 15 trains a day run non-stop between Fiumicino and Rome's Stazione Termini, in the heart of town. The new service, between 7am and 6.50pm, is costlier than its forerunner, at L12,000 one way. But the air conditioned and 1st class only coaches come as a godsend to those wanting to avoid venal taxi drivers or rush-hour traffic.

Better still, Alitalia, Italy's state airline, has inaugurated four check-in and ticket desks alongside Stazione Termini's platform 22, from which the new service departs. Passengers with hand baggage only can check in on the spot before hopping on the train for the 30-minute ride.

The only drawback with the new train is the frequency, only once an hour each way. Italy's state railways, which has already broken new ground with Alitalia by inaugurating new Florence-Fiumicino and Naples-Fiumicino services, claims a more frequent schedule is impossible owing to congestion.

Meanwhile, the old rail link continues as before, though the modernistic steel and marble air terminal at Ostiense has been closed. Travellers can still use the Ostiense suburban station on the other side of the tracks for the airport train. However, as it now continues to other suburban stops before terminating at Tiburtina to the east, it may be more convenient to alight elsewhere.

Haig Simonian



Straight to Rome's heart: trains now go to the city centre, within easy reach of St Peter's Square

Airport train finally reaches Rome's centre

TRAVEL ADVICE

Disruption on way out of Italy

Italian air traffic controllers are expected to strike today and tomorrow for a couple of hours early each morning. Flights leaving Italy are likely to be disrupted before midday, but airlines expect few delays for in-coming journeys.

BELGIUM: Difficulties caused by the general strike last week, which Involved air traffic controllers, have now been solved. Flights of TAT, British Airways' French regional carrier, are expected to be back to normal following last week's delays caused by pilots' union meetings.

NIGERIA: The Foreign and Commonwealth Office says the political situation remains uncertain. There is a high incidence of street crime and armed robberies, especially in Lagos and southern states. Travelling outside cities after dark is unsafe.

El SALVADOR: Although the civil war has ended, there is still lawlessness. Many victims are being murdered in the course of robberies, especially where they resist. Travel after dark should be avoided.

Outbreaks of cholera occur periodically. Travellers are advised to contact the British Embassy (98-1763, 98-1769 or 98-1455) for the latest news.

CHINA: China remains generally a safe place, but muggings in the main cities and sexual harassment are increasing. Visitors should guard their money and valuables in public areas. Women travelling alona should be careful.

Our limited representation and the poor local communications make it hard to guarantee quick help for citizens in difficulty outside Beijing (especially in Tibet). Those travelling outside Beijing should make a note of the full address, telephone and telex numbers of the British Embassy, Beijing, and the British Consulate General, Shanghai.

MONGOLIA: Visitors travelling through or to Mongolia must bave a valid visa and register with tha polica authorities aftar thair arrival.

Street crime is rising. Visitors should remain vigilant and not travel alone off the main streets of any town. Wherever possible use regular taxis.

Domestic flight schedules are uncertain because of shortages of aviation fuel and a lack of advance booking facilities. There are also doubts as to aircraft safety because of poor servicing.

Additional information from Travel Advice Unit, Consular Department, Foreign and Commonwealth Office, Clive House, Petty France, London SW1H 9HD. Tel: 071-270-4129.

THE BUSINESS TRAVELLER

Cathay Pacific closes door on latecomers

Daniel Green reports on an airline's pursuit of punctuality

Travellers leaving Hong Kong on Cathay Pacific should consult their watches more closely than usual. The carrier has introduced a "doors close on time" policy in an effort to reduce tha number of late departures suffered by just about every eirline at the crowded airport.

The principle is that the check-in desk closes half an hour before scheduled departure. The gate sbuts with 10 minutes to go.

Passengers arriving after the deadlines will not be allowed oo board. Anyone wbo has checked-in but not arrived et the gate 10 minutes before departure will have their luggage taken off the aircraft – the latest computer labelling technology allows the bags to be found quickly.

The problem Cathay is trying to solve is that delays on longhaul flights out of Hong Hong can easily be an hour or more if the take-off slot is missed. One late passenger can leave the other 400 people on e Boeing 747 sitting on the tarmac for an hour or more.

Left behind

"Some passengers have been lulled into feeling they can turn up et the last minute for flights. They would not turn up like that for a bullet train from Tokyo to Osaka, or for a theatre performance," says Mr Tony Tyler, general manager of Cathay Pacific Europe.

"We are going to upset some people but the silent majority will applaud us."

The scheme's first few months of operation have seen punctuality improved dramatically, and 300 passengers left behind in Hong Kong.

No one left at the departure gate has complained, claims Mr Tyler. He admits, though, that some people trying to check-in less than 30 minutes before scheduled departure were upset at being barred from the flight.

"At [Hong Kong's] Kai Tak airport, there is no way they could get from check-in to the aircraft in time," he explains.

Cathay may be facing a lone struggle to persuade the temporally challenged to change their ways: British Airways, which also flies from Hong Kong, will oot be following Cathay's lead.

"We have a very good punctuality record," insists BA. "We see no reason to change our policy."

Tips on tipping at the table in London

Nicholas Lander offers an answer to a perennial riddle

How big e tip should you leave in a UK restaurant? Many British diners are unsure and visitors from countries with fixed service charges are often completely bewildered.

There is no uniformity to the service charges in UK restaurants. Restaurateurs offer a bewildering set of options at the bottom of their bills.

These fall into four main categories:

● Prices include service and VAT. In the UK, all menu prices include VAT by law. But the phrase "service and VAT included", the one most commonly used in the rest of Europe, usually appears only in hotel restaurants and coffee shops and the most expensive restaurants.

Even in the latter, pay attention. One of London's finest restaurants, La Tante Claire, quotes service inclusive prices but then, when you pay with e credit card, incorporates the latter et the top of the slip but leaves the service box empty making it very easy for you to pay the service charge twice.

This is an iniquitous habit that can prove very costly to the business traveller.

● A percentage called "service" appears on the bottom of your bill. The percentage must be displayed on the menu (10, 12.5 or 15 per cent). This is an expensive system for the restaurateur because Netional Insurance contributions have to be paid on this additional amount. For this reason it is usually replaced by

● "Optional service charge". A misleading phrase because you are often left feeling that it is *not optional* at all. It as been criticised by the Department of Trade and Industry but is sadly only too common.

● "Service charge is oot included, gratuities at the customers' discretioo". This is the phrase used by e large oumber of restaurants and one that creates confusion and embarrassment for the customer.

Whichever system is adopted, almost every UK restaurant today pools all tips and service charges and then shares them out on a points system (based ou experieoce and ability) to the waiting staff via their wage packets.

There is no advantage in leaving cash other than in small restaurants or as an extra appreciation of excellent service.

Many restaurants are trying to raise the service charge to 15 per cent but this, unless the *service is exceptional, is excessive.* If service is optional, 12.5 per cent is an adequate reward for attentive service.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Allied Irish Bks. Und. FRN's $271.25
Avonside 1.8p
Bank of Montreal C$0.28
Blockleys 0.5p
Blue Circle Inds. 3.75p
Db. 10¼% Bds. 2013 £537.50
Chrysler Fin. 13¼% Nts. '94 $862.5
Chubu Elect. Power 8⅞% Bds. '01 Y81250
Dairy Farm Intl.(Bermuda Reg.) $0.0155
Db. (Hong Kong Reg.) HK$0.119815
Db. (Jersey Reg.) $0.0155
Ex-Lands 0.35p
Forte 8¾% Bds. '97 £418.75
Hepworth 5.5p
Housing Fin. 11½% Deb. '18 £5.75
Lucas Inds. 4.9p
NTT 9⅝% Nts. '98 $486.75
NKK 6.2% Bds. '02 Y620000
Northern Rock Bldg. Soc. 11⅛% Sub. Bds. 2000 £568.75
Redland Stg. Fund. 10⅝% Gtd. Bds. '01 £106.75
Sanyo Elect. FRN's '98 Y78125
Sirdar 3.7p
Tay Homes 4.65p
Tesco 2.45p
Toray Inds. FRN's '97 Y81107

■ TOMORROW
Adscene 7¾% Cv. Rd. Pf. 3.875p
Allied-Lyons 5⅛% Cm. Pf. 1.925p
Do. 7⅛% Cm. Pf. 2.625p
Automated Security 6% Cv. Rd. Pf. 3p
Barlows Inv. Tst. 0.8p
Do. 3.5% Cm. Pf. £1.75
Bank of Scot. 9⅛% Non-Cm. Irred. Pf. 4.625p
Do. 9¾% Non-Cm. Irred. Pf. 4.875p
Do. Undated Var. Rate Nts. $104.90
BBA 6.75% Cm. Rd. Cv. Pf. 3.375p
BNB Resources 1.5p
Bradford & Bingley Bldg. Soc. FRN's '94 £151.15
Bristol (City of) 11⅝% Rd. '08 £5.76
Brit. Aerospace 3.3p
Brit. Alcan Aluminium 10⅜% Db. '11 £5.1875
BTR Nylex A$0.05
Canning (W.) 7½% Un. Ln. 88/93 £3.75
Capital & Counties 8⅞% 1st Mtg. Db. 95/2000 £3.4375
Chase Manhattan FRN '97 $88.47
Chemical Bk Fltg. Rate Cap. Nts. '94 £76.35
City of Oxford Inv. Tst. 1.2p
Clayhithe 9½% Sub. Cnv. Uns. Ln. 2000/01 £4.75
Collateralised Mtg. Secs. (No.6) Mtg. Backed FRN '27 £138.64
Do. (No.7) Class A1 FRN '28 £55.41
Do. Class A2 '28 £162.05
Do. Class A3 '28 £164.55
Do. (No.8) Class A1 FRN '33 £2.37
Do. Class A2 '33 £162.05
Do. Class A3 '33 £163.80
Community Hospitals 4.5p
Conta-Cyclical Inv. Tst. 2.25p
Co-operative Bank 9.25% Non-Cm. Irred. Pf. 4.625p
Cropper (James) 9% Un. 94/99 £4.50
Dorling Kindersley 2.2p
Dunlop Plantations 6% Cm. Pf. 2.1p
ECU Tst. 0.5p
[illegible] 7¼% Nts. '98 £42.29
Electric & Gen. Inv. 10⅛% Db. '11 £5.375
Fleming Geared Inc. & Assets Inv. 4.3-13.3% Ptg. Prf. 6.3p
Fleming (R) Neth. BV Prm. Cap. Und. FRN's $203.44
Finsbury Avenue Ests. 11% 1st Mtg. Db. '14 £5.50
Geared Income Inv. Tst. 1.75p
Glasgow Income Tst. 0.6p
Goodhead 7% Cv. Rd. Pf. 3.5p
Great Western Financial $0.23
Halifax Bldg. Soc. FRN '98 £76.35
Do. FRN '96 £25.38
Hays 3.8p
Homer Finance 8 Mtg. Backed FRN '30 £204.49
Hong Kong Inv. Tst. 1p
Hopkinsons 0.5p
How 0.375p
Hunting 8.25% Cv. Pf. 4.125p
Hydro-Quebec 15% Ln. '11 £7.50
ISA Intl. 0.55p
Ivory & Sime ISIS Tst. Cv. Annuity 5p
Jardine Matheson (Bermuda Reg.) $0.068
Do. (Jersey Reg.) $0.068
Jove Inv. Tst. Income 2.1p
Lee Valley Water 8¼% Rd. Db. 92/94 £3.43
Linton Park 10⅛% Un. Ln. 92/97 [illegible]
Lister 5% Cm. Pf. 1.75p
Do. 4% Db. Rd. £2
Lloyds Bk Primary Cap. Und. FRN (Series 2) $88.89
London & European 10⅛% Un. Ln. '93 £5.25
London & Manchester 5.12p
Manchester United 13.5p
Maunders (John) 2.85p
Mezzanine Cap. & Inc. Tst. '01 Inc. 5.5p
Midland Bk. 14% Sub. Un. Ln. '02/07 £7
Mid-States 3p
Minstergate 10% Cm. Pf. 5p
Mitsui O.S.K. Lines FRN '97 Y78,993
Nat. West. Bk. Primary Cap. FRN C $85.31
Do. Undated Variable Rate Nts. $107.43
Nationwide Bldg. Soc. FRN '98 (2nd) £26.38
NCR 4% Old. Ln. 93/98 £2
Do. 8½% Gtd. Ln. 93/98 £4.25
New Brunswick FRN '94 C$13.27
NHL (1) Secs. Def. Int. Mtg. Backed FRN '28 £214.21
O.K. Bazaars (1929) 6% Gross Cm. 2nd Pf. R0.06
[illegible] Ests 12.5% '96 £17,143.47
Paterson Zochonis 7.5% Cm. Pf. 3.75p
Do. 10% Cm. Pf. 5p
Peel 5⅛% Cv. Non-Vtg. Pf. 2.635p
Rugby Gtd. FRN '97 $8,823.06
Do. FRN '98 $8,923.06
Record 1.15p
Ricardo 3.5p
RMC Capital 8⅛% Cv. Cap. Bds. 2006 £43.75
Rostol 1.3p
Royal Bk. of Can. Fltg. Rate Dbs. '05 $28.89
Russell (Alex.) 0.5p
St. Modwen Props. 8.5% Cm. Rd. Pf. 2nd Pf. 4.25p
Sanwa Bk Sub. FRN 2000 $884.72
Scantronic Cv. Rd. Pf. 3.625p
Scottish TV 2.1583p
Sedgwick 7⅛% Cv. '08 £166.15
Sense Eng. 1.25p
Sidlaw Cv. Pd. Pf. 4.25p
Specialeyes 10% Cv. Un. Ln. 2000 £4.19
Sphere Inv. Tst. Inc. & Res. Cap. 0.75p
Do. Share Package Units 6p
Sterling Publishing 6% Cv. Cm. Rd. A Pf. 3p
Stoddard Sekers 4% Cm. Pf. 2p
Sun Alliance 3.25p
Do. 7⅛% Cv. Sub. '08 £93.75
Tate & Lyle Cv. Rd. Pf. 3.625p
Telefonica de Espana 4% Cv. '03 $135.56
Thomson 2.4p
3i Intl. Gtd. FRN '94 £15.27
Throgmorton Tst. 12⅛% Db. '10 £6.15625
Do. 7.25% Cv. Un. '03 £3.625
TMC P.I.M.B.S. Fifth Fin. Ord. Class Nts. Issue 6 '28 £87.38
TMC P.I.M.B.S. Issue 1 '30 £154.06
Do. Seventh Fin. A Issue 8 '31 £133.34
Do. Class B '31 £168.29
TR City of London Tst. 1.23p
TR Smaller 10½% Db. '16 £5.25
TSB Hill Samuel Bk Co. Perp. FRN $271.25
T.T. Fin. 11⅛% Gtd. '18 £5.65625
Venturi Inv. Tst. Inc. 1.58p
Wells Fargo FRN 2000 $46.67
West Tst. 2.5p
WPP 0.35p

■ WEDNESDAY DECEMBER 1
Ahmanson (H.F.) $0.22
American Brands $0.4325
American General $0.275
Acarco $0.10
Austin Reed 2p
Barclays Bk Non-Cm. US$ Pf. Series A $0.558
Do. Series B $0.5438
Do. Series C $0.4219
Do. Series C2 $0.1406
Do. Units $0.5626
Do. N.C. Dollar-Denominated Pf. D1 $0.4313
Do. Series D2 $0.1437
Do. Reg. D Pf. Units $0.575
Canning (W.) 1.9p
Carer Allen 5% Cm. Pf. 1.75p
Do. 4.2% 2nd Cm. Pf. 2.1p
CNA Gallo 5% Gross Cm. Pf. R0.05
Croda Intl. 2.85p
Delta 4.2p
Eadie 0.3p
Fleming Claverhouse Inv. Tst. 1.25p
Fleming Mercantile Inv. Tst. 4¼% Perp. Db. £2.125
Folkes 0.575p
Do. Non-Vtg. 0.575p
Ford Motor $0.40
Do. BDR $0.02
Foreign & Col. Inv. Tst. 7⅛% Db. 88/94 £3.625
Do. 4¼% Perp. Db. £2.125
Fujitsu Y3
Do. EDR Y3
Garton Eng. 1.125p
General Cons. Inv. Tst. 4½% A Cm. Pf. £1.4875
Genfinance 11.49% Ln.'07 £57.45
Goodman Fielder A$0.06
Govett Oriental Inv. Tst. 5% Cm. Pf. 1.75p
Great Portland Ests. 9.5% Cv. Un. Ln. 2002 £4.75
[illegible] 9.5% Cv. Un. Ln. '95 £4.75
Hambros Inv. Tst. 3⅛% Cm. Pf. £1.225
Harris (P) 7⅛% Cm. Pf. 2.625p
Do. 8% B Cm. Pf. 2.8p
Honeywell $0.24
Ibstock Johnsen 0.5p
Illingworth, Morris 7% Non-Cm. Pf. 1.225p
Inco $0.10
Ingersoll-Rand $0.175
Intl. Stock Exchange 7⅛% Mtg. Db. 90/95 £3.625
Jardine Strategic (Bermuda Reg.) $0.04
Do. (Jersey Reg.) $0.04
Jones (A) 6⅛% Cm. Pf. 2.275p
Kleinwort Charter Inv. Tst. 4% Cm. Pf. £2
Lamont 3.5p
Law Debenture 4½% Db. £2.25
Legal & General 6.5p
Lewis (J) Partnership 5% Cm. Pf. 1.75p
Do. 7½% Cm. Pf. 2.625p
Lombard North Central 6% Cm. 1st Pf. 2.1p
Do. 5% Cm. 2nd Pf. 1.75p
London (County of) 2½% Cns. £0.625
Do. 3% Cns. £0.75
Minerals Oils & Res. Fund $0.22
Monks Inv. Tst. 11% Db. 2012 £5.50
Monsanto 5% Gtd. Ln. '92/97 £2.50
Do. 6⅛% Gtd. Ln. '92/97 £3.125
Murray Smaller Markets 1.1% Cm. Pf. 2.05p
Natl. Home Loans Secd. FRN '99 [illegible]
OKG Retractable Bds. '97 $68
Ontario & Quebec Rail. Cap. Stk. C$3
Do. 5% Perm. Db. £2.50
Perry 2.75p
Reed Intl. 4½% Cm. Rd. Pf. 1.575p
Do. 5½% Cm. Rd. Pf. 1.925p
RMC 6.6p
RPH 4% Cm. Pf. 1.4p
Do. 6% Cm. Pf. 2.1p
St. James Place Capital 1.5p
Save & Prosper Linked Inv. Inc. 13.6p
Scottish Mortgage & Tst. 1.35p
Sony Corp. Y25
Suffolk Water 7% Rd. Pf. 96/98 3.5p
Sun Alliance 5.25p
TR Smaller Co's Inv. Tst. 4½% Cm. Pf. 1.575p
Union Carbide $0.1875
Utd. Kingdom 3½% War Ln. £1.75
USLIFE $0.31
West 7% Cm. Pf. 2.45p
Wright (J) (Weaving) 4½% Cm. Pf. 1.515p

■ THURSDAY DECEMBER 2
Anglo Amer. Inv. Tst. R0.87
B.A.T. Inds. 12¼% Un. Ln. 03/08 £6.125
BMSS 1.5p
Cadbury Schweppes ADR $0.2772
Enterprise Oil 10⅛% Un. Ln. '13 £5.315
MR Data Management 3.46p
New Central Witwatersrand R0.72
Trace Computers 0.9p

■ FRIDAY DECEMBER 3
Aberforth Split Level Tst. Inc. 2p
Do. Units 2p
Alexandra Workwear 2.1p
Berry Birch & Noble 2.1p
Beton 6.67p
Blenheim 3.4p
Boeing $0.25
Bostrom 2.5p
Bupa [illegible]
Capital Inds. 2p
EW Fact 1.76p
Exmoor Dual Inv. Tst. 1.85p
Do. Income Shs. 2.76p
Fuji Bk Intl. Fin. Undated Sub. Gtd. Var. Nts. $1,036.39
Gillette $0.21
Laird 4.2p
Lloyds Chemists 5.25p
Moss Bros. 1.5p
Refuge 10.35p
St.Ives 4p
Shiloh 1p
United Newspapers 7.5p
Yorkdye 2.2p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Ex-Lands, Harcourt House, 19 Cavendish Square, W., 11.00
Dorling Kindersley Hldgs., Parliament Chamber, Crown Office Row, Inner Temple, E.C. 8.30
G.R. (Hldgs.), Chartered Accountants' *Hall, Moorgate Place*, E.C. 10.30
Queens Moat Houses, The New Connaught Rooms, 61-65 Great Queens Street, Holborn, W.C. 12.00
Whitegate Leisure, Great Eastern Hotel, Liverpool Street, E.C. 12.00
BOARD MEETINGS:
Finals:
Control Techniques
Dakota
SEP Industrial
Sheafbank Prop. Tst.
Interims:
Associated Nursing Services
Borthwicks
Bristol Evening Post
EFM Income Tst.
Gartmore Scotland
Gartmore Value
Kalamazoo
Merrydown
Shield Diagnostics
Tops Estates

■ TOMORROW
COMPANY MEETINGS:
MR-Data Management, Farmers & Fletchers, Livery Hall, 3 Cloth Street, E.C. 12.00
North American Gas Inv. Tst., The City of London Club, 19 Old Broad Street, E.C. 12.30
Practical Inv. Co., 111 Cannon Street, E.C. 12.30
***St. Ives**, St. Ives House, Lavington Street*, S.E. 10.00
BOARD MEETINGS:
Finals:
Bass
Dundee & London Inv. Tst.
Enviromed
Young (H.)
Interims:
Anglo United
Cape
Dawson Intl.
Eastern Electricity
JLI Grp.
Johnson Matthey
Metrotect Inds.
Monks Inv. Tst.
Philip Harris
Rothmans Intl.
Royal Tst. Gov. Sec. Fund
Verson Intl.
Worth Invs.

■ WEDNESDAY DECEMBER 1
COMPANY MEETINGS:
Allied London Properties, Four Seasons Hotel, Park Lane, W., 12.00
Castle Communications, 62 Threadneedle Street, E.C. 12.00
Whitney Mackay-Lewis, 55-65 Whitfield Street, W., 3.30
BOARD MEETINGS:
Finals:
Huntingdon Intl.
Interims:
Argyll Grp.
British Bio-Technology
Field Grp.
GEC
Gibbon Lyons Grp.
Gibbs Mew
Mid Kent Hldgs.
Mountview Estates
Northamber
Racal Electronics
Vlach Hldgs.
Yorkshire Water

■ THURSDAY DECEMBER 2
COMPANY MEETINGS:
Beckman (A.), Durrants Hotel, George Street, W., 12.00
Investors Capital Tst., 1 Charlotte Square, Edinburgh, 12.30
BOARD MEETINGS:
Finals:
Grand Metropolitan
Hanson
Leeds Grp.
MEPC
Metro Radio Grp.
Royal Bank of Scotland
Interims:
Anglian Grp.
Castings
Govett American End. Fund
Scapa Grp.
Severn Trent
Tinsley Robor
Wrexham & East Den. Water

■ FRIDAY DECEMBER 3
COMPANY MEETINGS:
Eleco Hldgs., Institute of Directors, Pall Mall, W., 12.30
Highland Distilleries, Royal Scottish Automobile Club, Blythswood Square, Glasgow, 12.00
Tottenham Hotspur, Whites Restaurant & Club, Paxton Road, Tottenham, N. 2.30
TR Far East Income Tst., 3 Finsbury Avenue, E.C., 12.00
Wetherspoon (J.D.), 780 High Road, Finchley, N., 11.00
BOARD MEETINGS:
Interims:
Explaura Hldgs.

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONTRACTS & TENDERS

COMPANY NOTICES

CONFERENCES & EXHIBITIONS

TIPS FROM THE TOP

Nothing succeeds like succession

Sir David Plastow, chairman of Inchcape, offers advice on how to plan for board succession

For anyone fascinated with the way that apparently *well-run and successful* companies can suddenly come to grief without warning, the past few years have been a time of above-average interest.

Several large organisations have hit trouble in spectacular fashion. Some collapsed altogether while others survived, but with their corporate reputations dented.

Global recession, personal greed, over-inflated egos, the lust for power and plain incompetence at a senior level have all contributed. But another cause has been the lack of effective boardroom succession planning.

Some otherwise excellent board directors concentrate so hard on achieving their business goals that they are blind to the problems they can face if the balance of their board is upset.

What happens when the chairman slips under the proverbial red bus, or when several board members who should already have retired decide simultaneously that struggling each month to the boardroom for meetings is getting too much for them? Either way, the board can unexpectedly find its composition changed beyond recognition. Gaps may appear in the board's spread of competences. *Shareholders may* be unsettled.

But these problems can be avoided. What is needed is a clear set of rules and commitment from the directors that they will follow them.

The key is fixed retirement ages. Different age limits may suit different companies but 60 for executive directors and 65 for non-executives has worked well for the boards on which I have served. Equally important is the need to maintain a balance of ages. If retirement is compulsory at 65 and the directors are in their *early 60s there are problems* ahead.

The succession policy should also make it clear that non-executives are appointed for fixed terms, with no automatic reappointment. Directorships should be neither jobs for the boys nor jobs for life.

Calling in a headhunter reduces the likelihood that directors will nominate one of their cronies

The ideal term is an initial three years, with another three-year period if all is going well, followed by annual reviews. Whatever standard appointment periods are agreed, it is important that they are there for all to see. This does away with uncertainty and the embarrassment caused when directors have to tell a colleague *the time has come to step down.*

Inevitably there will still be cases where a director will say: "Joe has never been fitter, and he is as bright as a button. How can we possibly let him go just because he is 65?" This attitude must be met head-on by the board. Unless they resist the temptation to make exceptions the benefits of a carefully structured succession policy are lost.

And when directors do leave, how should their replacements be recruited? During their careers company directors build up an impressive network of contacts. *Some directors think that because* they have this network they know best when it comes to choosing candidates to join the board. Unfortunately they are usually wrong.

That is why it is essential for a headhunter to be called in. This ensures that the widest possible range of candidates is considered and reduces the likelihood that directors will, possibly for the wrong reasons, nominate one of their cronies.

It is equally important that the nominations committee should have the support of the whole board in the final selection.

The ultimate responsibility for *all this lies with the chairman* who, taking a look in the corporate mirror, should have an agreed period in office and also provide for his or her own eventual replacement. As an extension of this, one of the first things I did in my present role was to ask our senior non-executive director to take responsibility for organising my replacement if that ever became necessary, for whatever reason.

Directors who fail to recognise the need for effective succession planning at board level are storing up trouble for the future. Some *may get away with it but there* is a real risk, as we have seen, that it will all end in tears.

Next Monday: James Hann of Scottish Nuclear on managing time.

Christopher Lorenz looks at pressure to trim head offices

Size isn't everything

From General Electric and Dow Chemical in the US to British Petroleum and ICI in the UK, countless large Anglo-Saxon companies have noisily reduced the size of their head offices in the last few years.

But according to the authors of a comprehensive new study many corporate HQs in Britain are still bloated, bureaucratic and, above all, muddled.

Too often, says the study, they confuse three separate roles: advising top management; co-ordinating and controlling the company's constituent businesses; and supplying those units with a wide range of optional advice and services – for which too few HQs charge fees.

These damning findings contradict the widespread view that UK companies are graduating smoothly to a more efficient world of slimline HQs, where everything from information technology and taxation to pensions and purchasing is "outsourced" to external suppliers.

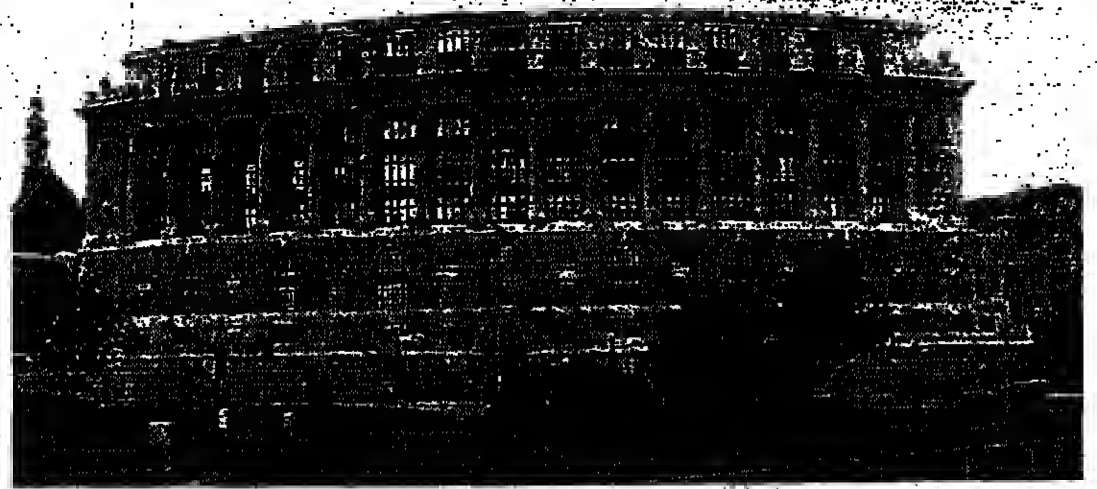
The two-volume study, which was conducted by the Ashridge Strategic Management Centre* among 107 companies with between 2,000 and 200,000 employees, suggests that some "corporate centres" – the fashionable term for HQs – are costing more than 1 per cent of sales. That often represents more than 10 per cent of pre-tax profits.

The obvious implication is that every company – not just large multinationals with HQs costing more than £300m a year – should scrutinise carefully the size, scope and operations of its head office.

But HQ reviews should not just *concentrate on cost-cutting, emphasise* the authors of the report, David Young and Michael Goold. The aim should be much more ambitious: to increase the value which the centre adds to the company as a whole. To do this, they argue, head office activities should be tailored more effectively to the company's particular strategy, structure, business portfolio, and top management style. In most cases that will mean further cutbacks, but in some it will involve an increase.

The Ashridge team's other findings include:

- That the head offices of financial services companies tend to be three times as large as for consumer or industrial companies. This is partly because most do not distinguish clearly between HQ functions and services to their businesses.
- That, even after some cutbacks, the HQs of privatised companies are, on average, six times as large as for others. Young and Goold attribute this partly to their traditionally centralised way of operating, but also say that such companies have yet to experience real external pressure.
- That "outsourcing" is less widely practised than all the hype would suggest, although it is certainly increasing; nor has it necessarily led to a reduction in cost.
- That the shifting of corporate centre staff out into operating businesses, or to separate service units, may often be a sensible way of subjecting *them to market pressures.*
- And that companies should "benchmark" their head offices against others, but only with care. A company with a relatively integrated – or interdependent – set of businesses, similar to Shell, should not try to model itself on one with businesses that share few linkages, such as BTR. The former may need a sizeable head office, the latter a mere skeleton.



Unilever unveiled a slimming of its HQ in February which was so limited – just 10 per cent – that it drew catcalls from investors

Surprisingly, only two HQ functions are common to all 107 companies surveyed: financial reporting and control; and company secretarial/legal. Only four others exist in the HQs of over 80 per cent of multi-business companies: treasury; taxation; pensions/pay administration; and "strategic development" – a term used to cover economic analysis and forecasting, strategic planning, and mergers and acquisitions.

By contrast, less than half the HQs in the survey include such functions as property services, recruitment, industrial relations, research and development, and purchasing. Some companies define such activities as lying outside HQ – a variation in definition which limits the survey's value somewhat.

The idea that companies need to increase the value of their head offices, rather than simply cut costs, is shared by most which have recently slimmed them. But this does not mean that their redesigns came easily; outside pressure was often required. Nor have many reviews been adequate the first time around.

For instance, ICI cut its HQ a decade ago, only for the numbers to creep up again through the rosy 1980s. The sudden threat of takeover by Hanson in 1991 then prompted the chemical company to split itself into two, and in the process take a more radical look at the role of HQs than it had done before.

Trevor Harrison, who has just retired as head of planning at ICI, agrees that "we ought to understand more about the value a head office adds – I got very interested in that when Hanson was around". The traditional view that "the role of any HQ is to support the board" is no longer adequate, he adds.

Unilever is showing signs of a more rapid rethink. In February it unveiled a redesign and slimming of its HQ which was so limited – just 10 per cent – that it drew catcalls from investors in the City of London. "One of the less successful aspects was our mismanagement of expectations," admits Michael Fox, who headed the review team.

"I don't believe we've got it right," he adds. Its HQ "will be subject to continual review – none of the posts in it is guaranteed for over a year". But he stresses that "it's not a numbers game – it's a question of ensuring that the centre serves the businesses".

Another instance of a company reviewing – and cutting – its HQ several times in quick succession came to light at a conference this month organised jointly by Ashridge and the Strategic Planning Society. Humfrey Smeeton, a director of Ocean, described what he called the "balls-aching detail" of a two-stage process by which the industrial services group has reduced its head office by more than half, to 62 people, over the past 14 months.

One of the sparks for Ocean was a "ready reckoner" which Ashridge has produced to help companies make quick comparisons between the size of their head offices. It gives different weightings by company size, sector and geographic spread. As Ocean found, it concentrates the mind wonderfully.

**Effective Headquarters Staff. £30. The Headquarters Fact Book: £120. Fax: 071-323-0903.*

THE MONDAY

People page

A belief in the power of reason

Louis Schweitzer tells Kevin Done and John Ridding about the Renault/Volvo debate

■ PERSONAL FILE

Born: Geneva 1942

Educated: Ecole Nationale d'Administration, Paris

Academic qualifications: graduated in law; Diploma from l'Institut d'Etudes Politiques

Career:

1970: Inspecteur des Finances

1981: chief of staff to Laurent Fabius

1982: Professor at l'Institut d'Etudes Politiques de Paris

1992: Renault's chief executive officer, chairman of the board

Louis Schweitzer, the chairman of Renault, likes to have a sense of direction in his life.

It served him well during his rapid rise through the elite ranks of the French civil service – he was chief of staff to Laurent Fabius when he was prime minister in the mid-1980s – and by the middle of last year it had brought him to the top of the French state-owned car group.

But for several weeks he has been left twisting in the wind as Volvo, Renault's Swedish partner, has been forced to endure a shareholder rebellion which threatens a planned merger between the two groups.

Shareholder resistance has already forced Volvo to postpone a vote on the deal. Investors will now deliver their verdict on December 7.

The merger is one of the most ambitious ever attempted in the auto industry. It would also remove Swedish control of the country's biggest industrial group at a time when the country is already gripped by self-doubt, and is teetering on the edge of joining the European Union.

Schweitzer is a keen theatre-goer, but he refuses to draw any business lessons from his recent attendance of a performance of *The Persians* - Aeschylus' account of how the Persians invaded Greece only to be humbled and sent packing.

"It is in everyone's best interests that Volvo should not lose its identity, nor its homebase. That would be crazy, that would not be sound management. You must keep a strong base in Sweden, technically and in manufacturing."

Schweitzer is clear that a no-vote from Volvo's shareholders would not only rule out a full merger but, just as important, it would jeopardise the existing far-reaching alliance between the two groups consummated in January 1991 with the exchange of sizeabla cross-shareholdings.

"If there is a no, it is clear that the momentum that makes people co-operate would be lost. The momentum would disappear. You cannot work together without a sense of direction and there would be none," he says.

Leaning back in his chair against a backdrop of modern art and model cars Schweitzer still appears at ease in the face of such high stakes. But the challenges of the merger represent unfamiliar territory. The leader of a state-owned industry, he is confronted with a rebellion by small shareholders and institutions. A man of reason, he has become embroiled in an increasingly emotional debate in which he believes the facts have become increasingly obscured.

The scale of the opposition from Swedish shareholders has caught Schweitzer by surprise. "The debate became rather emotional. It became so loud it was deafening; and the issues were not being addressed."

Schweitzer's response has been to argue his case as dispassionately as possible. In a series of interviews with Swedish television and newspapers and frequent visits to Volvo, the Renault chairman has sought to provide reassurance on the principal points of resistance to the deal: the timetable for privatisation of the merged group, and the French government's retention of a golden share in the new company.

He has emphasised the industrial logic of the deal which he regards as vital for both companies in the face of the increasingly competitive international automobile industry. Economies of scale, shared buying and R&D expenditure are necessary, he says, to help ease the burdens of new product developments.

Having made his case, he now stands firm. "This is it, it is decision time," he says. "We have presented a fair deal. Feelings sometimes overcome reasoning in a debate; now I hope that reasoning can overcome the emotions."

The emphasis on the power of reason to win an argument reflects his background and education. Like other "enarcs" – graduates of the Ecole Nationale d'Administration, the training ground for the elite of the French government service – Schweitzer has a training in logic and debate. "He has an excellent analytical mind," says Pehr Gyllenhammar, Volvo's chairman.

It is not easy, however, for Schweitzer to put his message across. "It is not natural for Renault to go to AB Volvo shareholders. I have no reason to say I know Swedish shareholders better than Volvo does."

If all goes to plan, however, they will become his shareholders from the beginning of January. As head of the industrial operations of the merged company, Schweitzer will be in charge of its day-to-day operations. Later in the year it is due to be privatised.

But how will a product of the French administration and public sector industry adjust to the private sector? In particular, how will he deal with restive Swedish shareholders?

Schwaitzer is sanguine about the prospect. "It is one of the peculiarities of the French system that this happens," he says, pointing to the experience of Jacques Calvet, the head of rival car builder Peugeot-Citroen, and Michel Pébereau, head of Banque Nationale de Paris which was successfully privatised last month. Both had backgrounds in financial administration.

Moreover, Schweitzer argues that Renault has long been operating as a private sector company. "The real change occurred in 1985 when Georges Besse (then chairman) declared that Renault should aim to become the most profitable European volume car-maker. "That was achieved last year," says Schweitzer. "Renault will stay profitable throughout this recession," he claims. "That will be the ultimate test - that in the worst downturn in history we can still make money. I think that is rather commendable."

As for shareholders, even restive Swedish ones, Schweitzer is relaxed. "Obviously there is a differeoce between having one shareholder or 1,000 shareholders, but management principles remain the same." He argues that sensitive decisions such as those relating to expanding or closing plants will be taken on commercial grounds and would not be put to shareholders.

If the merger does not go through, Schweitzer believes the challenges would be the same, but harder to deal with. "All debates leave scars, and the scars would remain. We would have to turn to limited partnerships with other groups, which could give some solution to the problem of insufficient volumes." He points to the existing collaboration with Peugeot in V6 engines and gearboxes. "But it wouldn't be as good."

The delays of recent weeks are already a source of irritation. A product of France's fast track, Schweitzer believes in moving quickly. "Speed is of the essence," he said when the merger was announced. A no vote in eight days' time would force him to pull over to the slow lane.

Internationally . . .

How Dede Brooks made a bid for Sotheby's summit

The rise and rise of Diana D. Brooks has reached its only possible summit – this 43-year-old banker, invariably known as Dede, now runs Sotheby's, the world's largest fine art auction house, which oext year celebrates 250 years of existeoce, writes Aotooy Thorncroft.

Last week it was announced that she was taking over from Michael Ainslie as president and chief executive officer of Sotheby's Holdings. Only Alfred Taubman, the chairman and chief shareholder, wields more power and his major coocero has always been his shopping mall empire. Despite its prestige, Sotheby's is little more than a diversion for Taubman.

Dede Brooks (top right) joined Sotheby's in 1979 from Citibank. Her skills were first devoted to the financial side in New York and she masterminded the deals which brought to Sotheby's such lucrative estates as the Impressionist pictures of the late Doris Havemeyer. But remorselessly she snapped up the top managerial jobs and only last April was made president and ceo of Sotheby's international auction business.

Since then she has been touring the world, spending much time in London which, both for historical and geographical reasons, is vital for Sotheby's future. New York may have replaced London as the main auction centre, but London is the key to Europe; and it is on the continent, as well as in the Far East, that Sotheby's seeks growth.

Her final apotheosis is not expected to limit Dede Brooks' travelling. A tall, lively woman, who somehow manages to enjoy a happy marriage to a venture capitalist and look after two children, she has boundless energy and enthusiasm. She likes to mix freely with her staff and is totally lacking in side or superiority. Her own art collection is eclectic – ranging from antiquities to Latin American art.

Dede Brooks' timing at reaching the top could prove impeccable. Sotheby's has been hit badly by the recession, and in its nine months' figures for 1993 it was still registering a loss. But recent successful jewels auctions in Switzerland and art sales in New York should ensure a profit in the final quarter of the year. It is a smaller Sotheby's work force that Dede Brooks leads but all the signs are that she will oversee an upturn in its fortunes.

Sinegal's extensive cut-price philosophy

A mixed receptioo awaits Jim Sinegal, 57-year-old American founder of the Costco cut-price retailing chain, when he arrives in London today for the opening of Britain's first warehouse club, writes Richard Tomkins. Shoppers may be delighted at the impact he will have on British retailing. Other store chains would sooner he had stayed at home.

Doubtless the controversy is something Sinegal would have preferred to avoid, for as one of the less flamboyant US business executives, he shuns publicity. He is also unusual in extending the cut-price philosophy to his own role in the company: notoriously, his desk is out in the middle of the work area at Costco's Seattle headquarters, separated from the rest of the workspace only by a low divider, and he answers his own phone. His salary is just $514,547 – a pittance for the boss of a company with annual sales exceeding $16bn.

The low profile notwithstanding, few make the mistake of under-estimating Sinegal. For 23 years be worked for Sol Price, the man who invented the warehouse club concept wheo be set up the Price Co chain in 1976. Sinegal looked an upstart when he decided to go his own way and set up Costco in 1983. But Costco emerged as the most successful operator in the field, and earlier this year proved the point by taking over Price Co – though Sinegal, true to form, had the grace to call it a merger.

Attali's soft landing at Banque Arjil

Bernard Attali, the ex-head of Air France, who recently fell from governmeot grace when his austerity plan for the loss-making state carrier provoked a hitter strike, has parachuted comfortably into the job of chairing the supervisory board of Banque Arjil, an investment bank controlled by Jean-Luc Lagardère and his Matra-Hachette conglomerate, writes David Buchan.

Attali's arrival at Banque Arjil was far more gentlemanly than his departure from Air France, and was apparently at the suggestion of the person he is replacing at the investmeot bank, his old friend, Philippe Camus. The latter decided he could do without the banking joh and devote more time to the two more senior posts he occupies in the Lagardère empire – director general of Matra-Hachette, and head of the Lagardère group's financial committee.

loterested though he may he in finance – he headed the GAN insurance group before going to Air France – Bernard Attali will hardly find the part-time supervisory job at Banque Arjil fully occupying. He might therefora find time to write up his airline experiences. After all, instant books run in the family. Twin brother Jacques is rumoured to be hammering away at his memoirs on his ill-starred time in London at the European Bank for Reconstruction and Development.

FINANCIAL TIMES SURVEY

DENMARK

With a 12 per cent unemployment rate, Denmark is seeking to expand its economy by large-scale public works. Its Social Democrat-led coalition is also pledged to keep taxes low and to protect the country's cherished welfare state. **Hugh Carnegy** reports

Descending with a bump

After a heedy year in the international headlines, Denmark is facing grim reality again.

A referendum in May to accept the Maastricht Treaty creating the European Union, reversing a dramatic initial rejection in June 1992, brought to an end a period in which the country had enjoyed unaccustomed levels of attention as it held the future of the community in its hands.

Now, just as Denmark has slipped down the European agenda, so has the issue of Europe been supplanted at home by the more mundane but daunting problems of a faltering economy, an unemployment rate of some 12 per cent of the workforce and the strains these have placed on the country's highly-developed welfare state.

Nor are more cheerful diversions in view: earlier this month, the Danish football team failed to qualify for next summer's World Cup Finals in the US, shattering the national euphoria which followed its unexpected victory in the European championship a few weeks after the first Maastricht referendum.

In tune with the change in mood, the four-party coalition of Prime Minister Poul Nyrup Rasmussen, led by his Social Democratic Party, has made the regeneration of economic growth and "bending down the curve" of unemployment the over-riding aim of the government.

The government, which includes the Centre Democratic Party, the Radical Liberal Party and the Christian People's Party, took office in January following the collapse of a Conservative-Liberal coalition led by Mr Poul Schlüter. Mr Schlüter had held together a non-socialist government for 10 years but was finally forced to resign in the face of a scandal over the treatment of a group of Tamil refugees in which he was found by a judicial inquiry to have misled the Folketing (parliament).

With Denmark at the time holding the presidency of the European Community, Mr Nyrup Rasmussen's initial priority was to ensure the approval of Maastricht in the second referendum, held after Denmark won a series of opt-outs from the treaty's provisions at the EC's December summit in Edinburgh. But the Social Democrats, many of whose own supporters were anti-Maastricht, had no special enthusiasm for the loftier goals of European Union.

Since the referendum was won, the government has been happy to let slip the issues of institutional reform within the EU, preferring not to return to them in earnest until the next Intergovernmental Conference in 1996. Instead, Mr Nyrup Rasmussen has advocated that the EU concentrate on the issues that are also his chief domestic concern – how to engender growth and tackle unemployment.

At home, the change in government did not produce any change in Denmark's dogged determination to maintain the value of the krone as an anchor that has helped achieve an inflation rate of just over one per cent. Although granted exemption from the goal of European Monetary Union under the Edinburgh accords, the coalition is committed to making the krone a core currency when new arrangements for the European Monetary System are eventually made.

In spite of repeated speculative buffetings during Europe's currency turbulence of the past year, and some damage to exports, Mr Nyrup Rasmussen's government has spurned the devaluation route taken by Sweden and the UK, two of Denmark's most important export markets and competitors.

The krone was one of the currencies given a wider 15 per cent ERM band in August, but has since fallen relatively little against the D-Mark and interest rates have fallen to their lowest levels in two decades. But the coalition has struck out on a markedly different economic path from its predecessor.

Backed by a large current account surplus and a low budget deficit, the government has adopted a policy – at least temporarily – of fiscal expansion. In the summer it enacted Denmark's most far-reaching tax reforms for decades, cutting the top rate of income tax over the next five years from 68 per cent to about 63 per cent and the lowest rate from about 51 per cent to 43 per cent. These will be partly financed by "green taxes" on energy, water and packaging. Coupled with a boost to public spending, targetted on infrastructural projects, the measures will inject e projected DKr12bn into the economy next year, equivalent to 1.2 per cent of gross domestic product.

This will inflate the budget deficit to about six per cent of GDP. But the government estimates it will push up GDP growth to 2.9 per cent in 1994 and start to achieve the target of turning round the relentless rise of unemployment.

At the same time, the coalition has pledged to defend and improve the welfare state, firmly rejecting the opposition argument that Denmark's high benefits and minimum wage levels are a barrier to employment growth. The government's approach has been to set up job-sharing and job-rotation schemes and to look to the extension of education and retraining but not to attack not the wage and benefits structure.

"The welfare state gives a security that makes people less afraid of changes. We really don't believe we would be better off with lower benefits," says Ms Karen Jespersen, the minister for social affairs. The government parties are betting that this approach will be popular with voters and will pay off when the next general election is held, probably in the autumn of 1994.

The Social Democrats in particular have placed their faith in Denmark's traditional consensus around the maintenance of the welfare state. "I think people in Denmark very strongly want the welfare state," says Ms Jespersen. "Of course there is a dilemma when people call for tax cuts. But Danes accept you have to pay taxes to sustain the welfare system."

A better-than-expected performance by the Social Democrats in this month's local elections was seen within the party as evidence that it is on the right track. But it is facing sharp opposition from the centre-right opposition, spearheaded by the Liberal Party under Mr Uffe Ellemann Jensen, the fiery former foreign minister.

The Liberals have shot up in popularity since the change of government, notably among younger voters, overtaking the Conservatives in the opinion polls as the main opposition party. The party made easily the biggest gains in the local elections. The Liberal aim is to achieve a Folketing majority with the Conservatives and the right-wing Progress Party at the general election.

Although clearly wary of stepping outside the "welfare consensus", it insists that the government is ducking vital structural reforms in the economy, has over-estimated its growth projections and risks pitching the country into a financial crisis such as it experienced in the early 1980s.

Mr Ellemann Jensen says the government has not grasped the seriousness of the threat to west European competitiveness from Asian economies and more especially from the low-cost emerging economies of central and eastern Europe. Beyond domestic economic policy, he is also sharply critical of the government for not playing e more active role in preparing the EU to meet this challenge. "Jobs are moving to the east – and they should be allowed to move to the east. But we have to accept the changes in our systems this calls for. We are reaching the point where the welfare system and the public sector risk tipping the boat."

These arguments find a strong echo in the industrial community. Mr Hans Skov Christensen, head of the Federation of Danish Industries, points out that the average wage in Poland of DKr6 per hour is under a 10th of the minimum wage of DKr65 per hour in Denmark. "We have to totally reconsider the system," he insists. "We need more wage flexibility to keep production here in areas where we are better, we need to improve the service sector and we need much more ambitious research and development efforts."

The signs are that Danish voters will be presented with a sharper choice of policy alternatives than they have been accustomed to when the election comes around. But if the coalition can indeed bend down the unemployment curve next year while sustaining the welfare state at present levels, the electorate is unlikely to prefer the harsher medicine prescribed by the opposition.

Young Danes in Copenhagen's Tivoli Gardens: after a year in which the country voted first against, and then for, the Maastricht Treaty, there is a sense of anticlimax as they contemplate the challenges of e faltering economy

■ POLITICS

Jobs are the biggest issue

POUL NYRUP RASMUSSEN, prime minister, outlines the principal objectives of his Social Democrat-led government in an interview with Hugh Carnegy

When Mr Poul Nyrup Rasmussen was sworn in as Denmark's prime minister on January 25 this year, his elevation capped a meteoric rise through the political ranks by the former trade union economist.

A member of parliament since only 1988, Mr Nyrup Rasmussen took over at the head of the Social Democratic party in 1992 in a controversial but successful challenge to the leadership of Mr Svend Auken. Within nine months, the resignation of the Conservative-led coalition of Mr Poul Schlüter, which fell after 10 years in office amidst a scandal over the treatment of Tamil refugees, allowed the 49-year-old Mr Nyrup Rasmussen to form his own coalition with the small Radical Liberal, Centre Democrat and Christian People's parties.

With the aura more of a technocrat than a politician, he has sometimes seemed ill at ease in the prime ministerial hot seat. But once over the hurdle of last May's second referendum on the Maastricht Treaty establishing the European Union, he has waxed in confidence.

In a conversation with the FT, Mr Nyrup Rasmussen discussed the principal political challenge facing his government – how to tackle the double digit rate of unemployment while simultaneously fulfilling the Social Democratic pledge to defend and sustain Denmark's highly developed welfare state.

"You should never forget that our unemployment rate is caused firstly by the lowest business cycle comeback we have had for many, many years," he says. "We have not been in such a situation since the end of the 1950s. That is why I say that time is working for the government in that the economic growth rate is coming up now. Our so-called economic wise men evaluate that we will succeed in 1994 in forcing the unemployment curve down again. But it is a very long job. We can force it down in 1994 but it takes years to reinforce employment."

Nyrup Rasmussen: at the top after only five years in parliament

A big fiscal stimulus next year and a range of measures such as job rotation and job-sharing have been adopted by the government. But the prime minister firmly rejects the notion that the long term solution to unemployment lies in radical restructuring of Denmark's labour market, with its high jobless benefits and high minimum wage levels.

"I don't believe a bit in that argument, for many reasons. One is that it is not well documented that relatively high unemployment benefits have been a barrier to obtain jobs for the lower paid. I believe fundamentally in adult education and training as the way to go. In my mind the debate about competition between the unemployment benefit rate and the minimum wage is not relevant in this country."

At the European level, Mr Nyrup Rasmussen talks of a "New Deal" initiative by the EU to increase Europe's commitment to education, research and development and labour flexibility. But, again, he is suspicious of calls for deep, free-market reforms.

"There is no connection directly in the different countries between the degree of regulation – be it by law, be it by collective agreements – and the unemployment rate. So when it comes to making the labour market more flexible, it seems difficult to develop a European strategy which covers the significant differences in the different member countries.

"Spain is perhaps the most well documented single example of structural problems directly related to regulations on the labour market – but if you take the UK you see that the unemployment rate is very high but the regulation degree is very low. So it is not that simple."

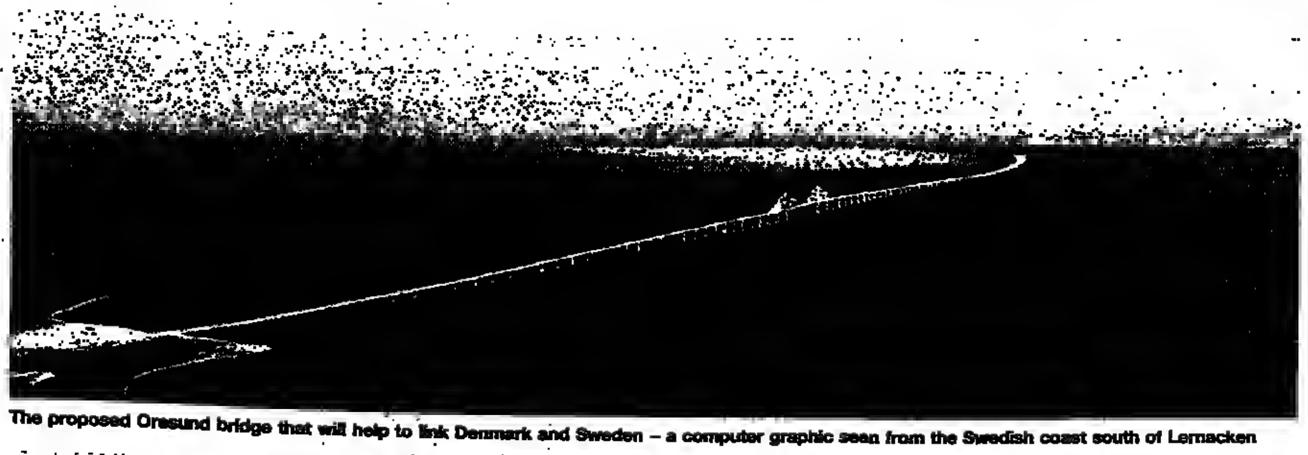
The recent rise in popularity of the Liberal opposition party, which calls for just such structural reforms, has sharpened the domestic political debate in Denmark in recent months. Local elections and opinion polls have suggested a polarisation of support around the Social Democrats on the one hand, and the Liberals, led by the energetic Mr Uffe Elleman Jensen, the former foreign minister, on the other.

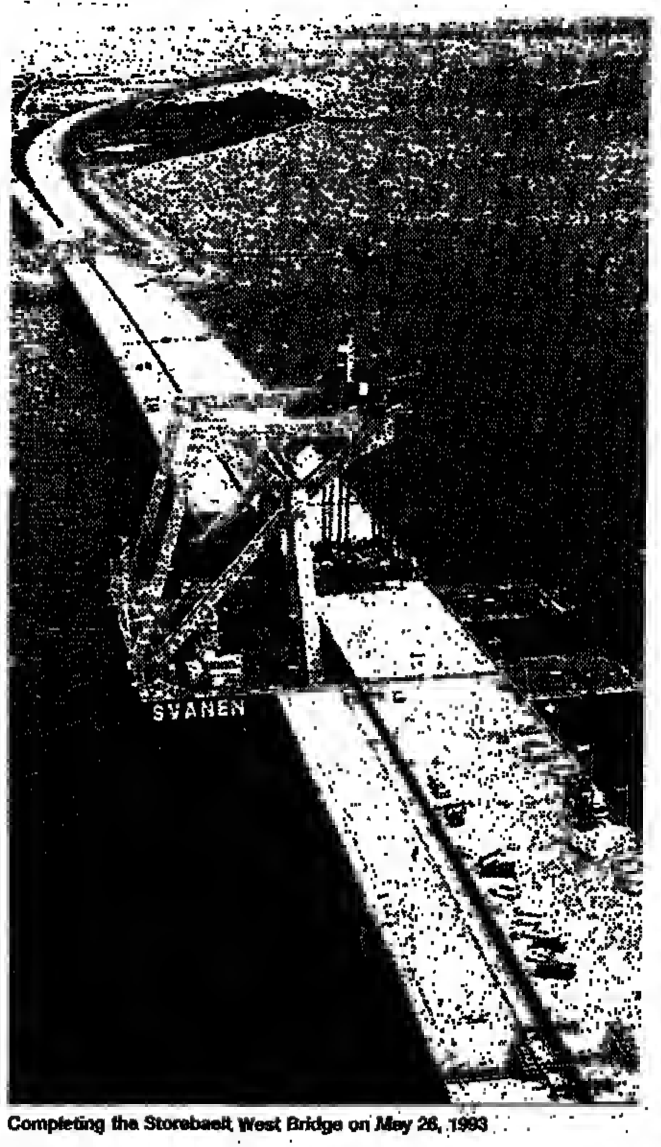
If the trend hardened, it could lead to the marginalisation of the handful of small parties that have traditionally held the balance of power in Denmark – and could deprive the Social Democrats of vital coalition support. Mr Nyrup Rasmussen is therefore keen to stress the merits of Denmark's consensus tradition.

"This trend is not preferable because the tradition here is to have a plurality of political parties. So I would regard it as a serious loss in political life if this trend became stronger. We have always based ourselves upon talking together and listening together. This country was the first country of all – in September 1899 – to create a consensus on the labour market, with the first independent labour court, with the first place where you establish collective agreements. This country still has the lowest potential conflict degree in the labour market. It is an inbuilt factor in the explanation of our welfare society."

Hugh Carnegy describes the scope of Europe's biggest bridge building programme

Roads over northern waters


The proposed Oresund bridge that will help to link Denmark and Sweden – a computer graphic seen from the Swedish coast south of Lernacken



Completing the Storebaelt West Bridge on May 26, 1993

Although Denmark is a small country, its scattered landmass of islands and the Jutland peninsula has always meant thet any non-air journey between the main centres required at least one ferry crossing. By the end of the decade, however, that will have changed.

Within the next four years a DKr20bn project to build a bridge and tunnel between the islands of Zeeland and Funen is set to be completed, providing for the first time a direct road and rail link between the capital Copenhagen and the country's other main centres such as Odense, Esbjerg, Arhus and Aalborg.

When construction began in 1988 of the link across the 18km-wide Storebaelt, or Great Belt, channel, the then minister of transport, Mr H. P. Clausen, summed up its significance: "We will have a completely new Denmark with the fixed link across Storebaelt. We shall no longer speak of east and west Denmark, but of Denmark as a whole. This project will be more significant to the population of Denmark and the business sector than any other traffic project has ever been."

But Storebaelt is only the first step in a series of huge bridge/tunnel projects planned hy Denmark to transform its transport links both internally and to its neighbours.

If outstanding political obstacles are overcome, construction will begin next year on the Oresund bridge linking Copenhagen to the Swedish city of Malmö. Discussions have also begun with Germany and Sweden on building a fixed link from the south eastern Danish island of Lolland, across the Femarn straits, to Germany.

Once in place, the Oresund bridge will, in concert with Storebaelt, give Sweden a direct land link for the first time, not just to Denmark, but to Germany and the rest of continental Europe. This link would be made even quicker and more direct by a Femarn bridge. Denmark expects a significant boost to its economy from its own improved links and from increased through-trade from Sweden to Europe.

Storebaelt has slipped about one year behind schedule chiefly because of problems encountered while tunnelling. But the rail link, which will run for most of the crossing in the tunnel, is due to open by 1996. The road link is scheduled to open a year later, running across a two-stage bridge including the world's longest single suspension bridge span of 1,624 metres.

The DKr20bn cost has been raised hy the state-owned Storebaelt company through international markets, backed by state guarantees. It will be paid for hy a commitment from the state railways to pay DKr825m a year for 30 years to use the link and from vehicle tolls.

Mucb greater controversy and uncertainty surrounds the Oresund link. Although the Danish and Swedish governments signed a treaty to huild it in 1991, minority parties in the two governments currently in office have raised objections, delaying a final go-ahead for the project.

The joint Swedish-Danish consortium set up to huild the combined 16.8km road/rail tunnel and bridge link is due to invite construction tenders early next year. But, on the Swedish side, the Centre party, which holds the environment portfolio in the government, is continuing to object chiefly on environmental grounds, despite support for the project from the coalition leaders, the Moderate party, and the main opposition Social Democrats.

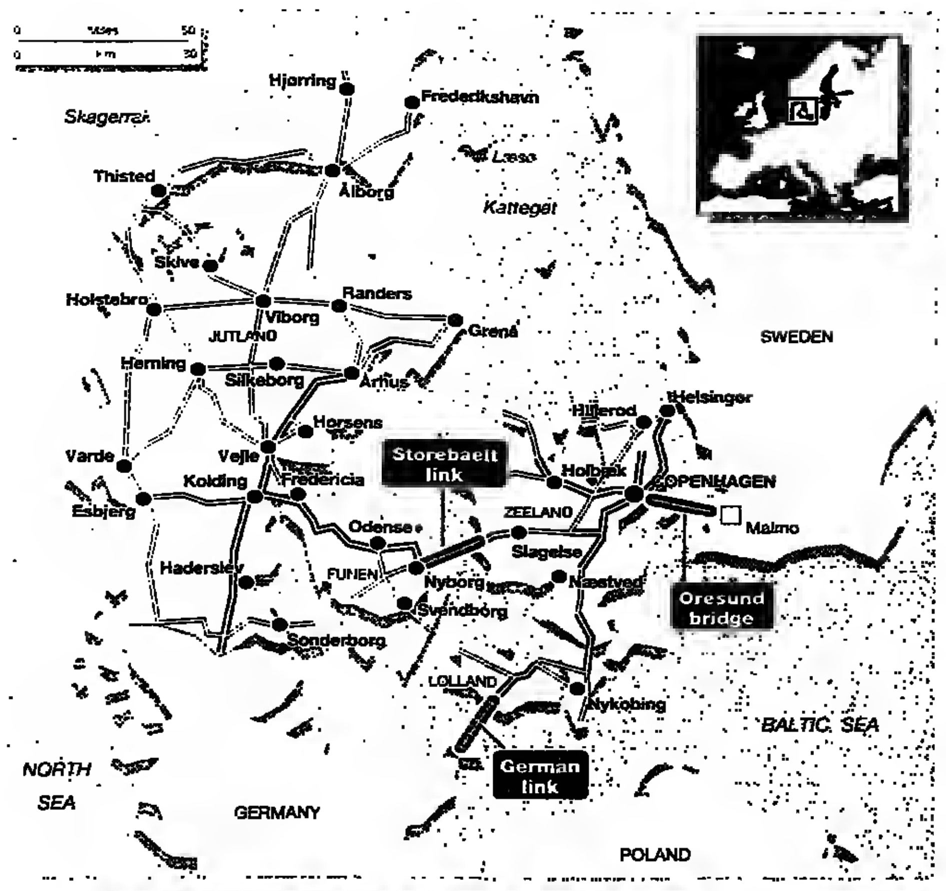
In Denmark, the Radical Liberal party is objecting on the grounds that the cost of the project is unlikely to be met by the planned method of repayment. The budgeted cost of the link is DKr17bn, including DKr12bn for the tunnel and bridge, DKr3bn in land costs on the Danish side and DKr2bn on the Swedish side.

The consortium concedes that these costs are likely to rise by up to DKr700m as a result of construction strictures demanded by Sweden's Water Rights Court this month to ensure the eovironmental impact of the bridge is minimised, particularly on the sensitive subject of impeding vital salt water flows into the already badly polluted Baltic.

The pay back on the costs is scheduled to come from DKr300m a year shared by the Danish and Swedish state railways and the rest to be raised in vehicle tolls. But the project's hackers have run into something of a Catch-22. Their financial plans rely on a rather modest estimate of 10,000 vehicle crossings per day.

More vehicle crossings would raise the toll income, but the two governments are under pressure oot to break international undertakings on exhaust emissions by allowing excessive traffic on the bridge.

Mr Henning Hummelmose, the chief executive of the Oresund company, nevertheless believes the project will go ahead. "I think we have reached the point of no return. I don't think that the environmental questions or the financial questions can stop the project. So much political prestige bas been invested that it must go through."




East Tunnel under the Storebaelt: the completed link will 'create a new Denmark'

Economic optimism is very tentative, writes **Hilary Barnes**

Fog in the middle distance

The government and private forecasters are in agreement that in 1994 there will be a return to economic growth after seven years of near-stagnation, culminating with a year of zero or perhaps even negative growth in 1993.

As regards the longer term, however, the views of the government and the business community diverge.

In a recently-published medium-term outlook, the government foresees an average annual increase in gross domestic product between 1995 and 2000 of 3.3 per cent, with private sector production increasing even faster, at about four per cent a year.

But the business community fears that a return to growth will be inhibited by serious structural rigidities in the economy. "The government doesn't seem to see the structural problems, but we do," said Mr Hans Skov Christensen, the director-general of the Federation of Danish Industries, who suspects, too, that European recovery will have a different character than previous post-war recoveries.

Demand will strengthen in West Europe, but much of the increase in production which this generates will take place in East Europe, where wage costs are only about one tenth, or less, of wage costs in countries such as Denmark. "We shall not see the same kind of international boom we used to see," he said.

However, Denmark, says the government, has a better starting point for sustained, non-inflationary growth than most other European countries. It has a surplus on trade in goods and services which is almost seven per cent of GDP (not even Japan can beat that) and a surplus on the current balance of payments account of just over three per cent of GDP.

Inflation is the lowest in Europe at just 1.2 per cent over the 12 months to September. Hourly wage rates have increased by only about two per cent this year, and after the trauma of speculative attacks on the krone in the spring and again in July this year, which forced the Central Bank to raise interest rates sharply, interest rates are rapidly coming down to average European levels again.

Government finances are in deficit, showing the effects of the long recession and high unemployment, but the general government financial deficit this year will be about 4.4 per cent of GDP, which is below the average for the EU.

The strong external position is being exploited by the government to give a substantial boost to domestic demand via fiscal policy in 1994, when Mr Mogens Lykketoft, the finance minister, estimates that the stimulus to GDP growth from fiscal policy will be about 1.3 per cent.

The fiscal boost will come more particularly from a reform of the tax system, passed hy the Folketing last sommer. This rednces the country's exceptionally high marginal income tax rates (the top rate will go down from 68 to about 62 per cent and the bottom rate from 51 to 43 per cent). The revenue lost on income tax will not be clawed back in 1994, although higher energy and other "green" taxes will equalise the revenue loss by 1998, when the reform will be fully implemented.

The government expects the boost to demand to lead to a surge in real private consumption by almost 4 per cent and a 2.9 per cent increase in GDP next year. Other forecasters are more cautious, but agree that demand will rise significantly. The industries Federation, for example, predicts a GDP growth of 2.5 per cent and an increase in private consumption of 3.0 per cent.

The upswing will generate a few extra jobs, but neither the government nor other forecasters expect unemployment to fall by more than about 20,000 to around 330,000 from 350 000, or 12.5 per cent (seasonally adjusted), this autumn.

Mr Lykketoft's medium-term report emphasises that after 1994 fiscal policy must switch to containing the government deficit in order to ensure a sustained low real rate of interest, a necessary condition of obtaining strong growth in the business sector.

In the same report, Mr Lykketoft's ministry asserts that marginal changes in minimum wage levels and the country's high unemployment benefits (benefit is 90 per cent of wages up to a ceiling which is 90 per cent of the average wage for skilled workers) will not have a significant effect on demand for labour, and drastic changes "are not acceptable in a society of the Danish kind," as Mr Lykketoft told the FT.

For Mr Skov Christensen, however, what is at stake is not the social welfare system. "This has to do with survival," he said. Without action on minimum wages, the steady increase in transfer incomes (between 24 and 25 per cent of the population aged 16-66 live off transfer incomes now) will both undermine government finances and export-competitiveness.

> Drastic changes to the benefits system would not be popular in a welfare state like Denmark

The Danish Employer's Association, the sister organisation to the Federation of Industries, put some figures on what it regards as necessary if more jobs are to be generated for the less skilled population groups. The generous transfer incomes – such as unemployment benefits – which currently place a floor on the hourly wage rate of DKr67, must be reduced to that the minimum wage can fall to DKr50, it said.

At that level, the Danish minimum wage would be just eight times the average wage in Poland.

■ **Profile:** A. P. MOLLER, Denmark's top company, has a new boss

A rare change of command

A.P. Moller, the discreetly-run, strangely-structured shipping group that is Denmark's biggest business concern, has this year undergone a change in chief executive for only the second time in its near 90 year history.

On the eve of his 80th birthday in July, Mr Maersk McKinney Moller stepped aside from the day-to-day running of the group founded in 1904 and headed until the 1960s by his father, the late Mr A.P. Moller.

Into his shoes stepped Mr Jess Soderberg, 49, who assumed the task of leading an enterprise with total annual turnover of some DKr50bn across a range of businesses spanning shipping, shipbuilding, oil and gas, air transport and retailing.

But although the chief executive is no longer a member of the cootrolling family, few people inside or outside the Moller empire expect dramatic shifts to follow the change at the top. "Although the skipper has changed, there *has* been *no* change in the crew and we remain on the same heading," said a Moller executive unable to resist a seafaring metaphor.

Indeed, Mr Mc-Kinney Moller has not left the scene. He remains chairman of the group'a twin parent companies D/S Svandborg and D/S 1912 (both controlled by the Moller family) and the boards of key companies within the group. "I will stay informed ... I will often be in this building, although in another office," he told staff at Moller's Copenhagen headquarters when he handed over to Mr Soderberg.

Analysts in Copenhagen seem reassured by Mr Mc-Kinney Moller's move, anticipating a smooth transition under Mr Soderberg, formerly chief financial officer. Furthermore, a reputation for being well managed has helped deflect investor concern over the complex and arcane structure of the Moller group, and its reluctance to speak publicly about its business.

Although the parent companies, with a market value of some DKr40bn, together make up about one quarter of the market capitalisation nf the Copenhagen stock exchange, the A.P. Moller group, with 30,000 employees, does not publish consolidated accounts. This is because of its structure under which A.P. Moller itself is an unlisted partnership.


Maersk Mc-Kinney Moller: founder's son bows out at 80


Jess Soderberg, 49, only the third chief executive in nearly 90 years

The parent companies have kept to a minimum the information they must publish by avoiding share issues which would require a detailed prospectus. In the 89-year history of the group, the only issue by the parent companies was a bonus issue in 1973.

But there is no arguing with the sbare performance. They have surged by some 50 per cent this year, with D/S Svendborg B shares fetching a cool DKr170,000 each. The market's judgment is clearly that A.P. Moller's businesses are, In the words of an analyst, "in good health".

This is despite a nasty slide in profits in 1992 in the shipping business. The dominant Tankers and Liners in Partnership unit saw net profits tumble to DKr1.05bn from DKr1.5bn, on slightly reduced turnover of DKr19.5bn – and the figures were worse after transfers from the parent companies were excluded.

Analysts put most of this down to weakness in the worldwide shipping market. They believe Moller's evolution over the past 15 years into the world's leading container carrier will pay off when the cycle turns up again.

Moller has continued to invest heavily throughout the recession, this year ordering five ships from its own Odense Steel Shipyard capable of carrying 4,800 standard 20-ft containers. It has established a number of "hub" container terminals around the world allowing it to develop an integrated north-south and east-west route network with extensive onshore services, including container trains in the US and Europe.

Moller has also recently returned to building and operating VLCC (very large crude carrier) oil tankers. It has ordered six 300,000-tonne double-hulled tankers, three of which have already been built, from Odense. These were the first of their type to be built in the world as Moller seeks to cash in on new marine regulations on "environmentally-friendly" tankers that are designed to be resistant to puncture.

However, the element in A.P. Moller which increasingly underpins group profitability is the oil and gas division, which last year produced profits of DKr808m on turnover of DKr3.3bn. The group has a 39 per cent share in Danish Underground Consortium, the sole operator of Denmark's North Sea oil and gas. This year DUC signed a contract with the state to double gas deliveries to 7bn cubic metres a year from 1997. "Forty per cent of Moller profits will come from oil and gas in the long term," said a Copenhagen analyst. "That is the cash cow."

Hugh Carnegy

■ **Profile:** PETER ZOBEL, a power in the insurance industry

Architect of a new structure

The Danish insurance industry is undergoing a process of recovery after the shocks of 1992, when the country's second largest insurance group, Hafnia, collapsed and the largest group, Baltica, came close to suffering the same fate.

The man who has emerged as the architect of the restructuring of the industry is Mr Peter Zobel, chief executive of Codan, a company founded by Mr Zobel's family but in which the UK's Sun Alliance is now the dominant shareholder.

Undaunted by the fact that Hafnia was twice the size of Codan, Mr Zobel made a successful bid for Hafnia in March this year, turning Codan into the country's largest accident insurance group (Baltica remains larger in life assurance).

In the face of widespread doubts among insurers, he urged higher premiums – and up they went

A few months later he put his stamp on the industry once more by announcing that premiums throughout the industry were far too low. Codan, he said, would be putting them up by an average of 15 per cent in 1994.

The other large companies, several of which had recently promised the public that they were not even dreaming about premium increases, all agreed within days that Mr Zobel was right.

They are following Codan's example. For many years Codan has enjoyed the best profitability in the Danish industry, but it was first following the mess which Baltica and Hafnia made of their businesses that Mr Zobel was able to stamp his mark on the industry.

Baltica and Hafnia were both brought to their knees by a series of investments which turned out to be unwise and cripplingly expensive. In Hafnia's case, strategic share investments in Baltica itself and Sweden's big insurer, Skandia, caused the problems. When the price of the shares in these two companies collapsed in 1992, Hafnia Holding, the group's parent company, was bankrupted.

Property investments were the straws which broke Baltica's back, but while Hafnia Holding was bankrupted and the insurance operations taken over by Codan, Baltica was successfully reconstructed. Its insurance business, which as such has never been in trouble, has continued as before under a new management headed by Mr Hans Eivind Hansen, formerly co-chief executive at Den Danske Bank.

Codan's excellent profits record was based on the principle that profits are more important than market shares; it left others to grow poorer by fulfilling their ambitions to become the biggest. Codan led a comfortable existence and its shareholders were well rewarded.

"We didn't have to do it," said Mr Zobel, reflecting on the acquisition of Hafnia, "but when you have the money available you have to take the chance. After all, if you don't use the money you have, you might as well shut up shop."

Having bought Hafnia, Codan was not forced to undertake the merger of the two companies, but there were good reasons for undertaking the merger, according to Mr Zobel.

There are cost reductions to be made (a staff reduction of about 10 per cent is under way) and the companies have similar customer profiles and strategies, even if there was a profitability gap.

The starting point for the two companies was this: in total premium income (life and accident) Codan was DKr2.1bn to Hafnia's DKr5.1bn; Codan had 1,059 staff to Hafnia's 2,452; but Codan's equity capital was DKr4.8bn to Hafnia's DKr66m.

Together, the assets of the group are about DKr50bn and its market share is 15 per cent in accident business, 21 per cent in industrial insurance (70 per cent in marine and energy), and 12 per cent in life assurance and pension savings.

Mr Zobel's aim is to make the two companies into a single business, both inwardly and outwardly, within one year, which means by the summer of 1994, creating a firm in which profitability and financial soundness have priority.

Zobel took over a company twice his own firm's size and now heads Denmark's largest accident insurance group

Mr Zobel, 57, does not waste words. He speaks in short, crisp sentences, a manner which does nothing to belie his reputation as a tough cookie, who does not suffer fools, let alone incompetent managers, gladly.

The deliberation and speed with which he is carrying through the merger only reinforce this reputation.

Peter Zobel: profits are more important than market share

All the main management and personnel were in the organisation within four months of the acquisition. In the final months of 1993 the superfluous members of the staff were being identified, conversion of the computer systems was under way, the staff associations (trade unions) were being reorganised to fit the new corporate structure.

In the first half of 1994 new products will be introduced, the conversion of the data processing systems is due for completion and increases in premiums will be implemented.

The reorganisation may not have been simple, but, says Mr Zobel, it is nothing compared with the difficulty of eliminating the cultural differences and the them-and-us syndrome – "a hell of a problem," he says bluntly.

Codan is known for a strong team spirit, an image built up over many years, and, says Mr Zobel, not a man to hide his light under a bushel, "it is to some extent me".

One of the problems which has emerged is that Codan's managers, who have been put into most of the senior positions, have suddenly found themselves running a department which is three times as large as the one they were used to running. "They have been used to having a finger on everything the department did, and they have yet to realise you can't run a bigger department in the same way," said an anonymous manager from the Hafnia side of the firm.

In the end the success of the acquisition and merger will have to be judged by long-term results. This year has been a reasonably satisfactory year for the insurance companies, which, with bond and share prices rising strongly, made excellent returns on their financial investments, but the substantial "insurance-technical" losses of recent years have persisted.

Mr Zobel is hoping to turn the corner in 1994, when premiums will go up. Some loss of market shares as Codan's profitability is re-established will not disturb him. By 1995, he hopes that the group's results will be satisfactory.

The market seems to share Mr Zobel's optimism. Codan's share price was maintained, indeed increased slightly, following the acquisition of the loss-making and impoverished Hafnia and the Codan share remains the most expensive of the insurance shares listed on the Copenhagen Stock Exchange.

Hilary Barnes

Hilary Barnes: how the banks weathered the storm

Seven lean years

The Danish banks have come through a seven-year recession with their financial integrity intact and, in contrast to the situation in the other Nordic countries, the state has not had to provide either capital or guarantees to keep the banking sector afloat.

The reasons, said Mr Knud Sorensen, chief executive of the country's largest bank, Den Danske Bank, who is also chairman of the Danish Bankers Association, is sound legislation and a very thorough bank inspectorate. "Compared with what happened in Norway, Sweden and Finland, Danish banks have fared very well indeed," he said.

But in a country which still has about 180 banks and savings banks (many of them tiny) to serve 5.1m people, dozens of banks have closed over the past 10 years. In most cases the process has been fairly painless. Other banks have taken over banks whose capital adequacy has fallen below the legal minimum (nine per cent currently, falling to eight per cent in 1995).

Depositors (covered by an insurance scheme for deposits of up to DKr250,000) have not lost their money, although in several cases shareholders have. "The banking community takes pride in finding solutions which do not involve direct state aid," said Mr Sorensen. But resistance by healthy banks to saving their weaker brethren is growing.

"After a number of years when we have had to set aside considerable sums to cover losses, willingness and capability to assist is rather limited," said Mr Sorensen. "We have reached a stage where it is hard to justify to your own shareholders, staff and customers that you have to support banks which have taken too many risks. We will do a lot out of responsibility to society, but there is a limit."

Whether this limit has been definitively reached is something which only time can tell, and the matter may not be put to serious test in the immediate future as this year has favoured the banks, which suffered a combined loss of DKr10.9bn in 1992. Rising bond and share prices have boosted investment income, and cost cutting and lower interest rates have contributed to better operating margins.

All the big banks, Danske, Unibank, Bikuben and Jyske Bank, were back in the black in the first half. "The present situation in Danish banking is not that bad. We look forward with some optimism to 1994 and 1993 should be a fairly good year," said Mr Sorensen.

The difficulty of rescuing troubled banks was highlighted this autumn by the case of Himmerlandsbanken, a small bank serving the North Jutland town of Hobro, where it had a market share of around 40 per cent. The bank collapsed. Shareholders and bondholders lost their money, but the bank was enabled to keep going when it was taken over by Sparekassen Nordjylland (Spar Nord), the North Jutland savings bank, after some hard persuasion by the government.

Spar Nord believes it received a promise from the government that in return for preventing the closure of Himmerland, Spar Nord could make a tax loss deduction of DKr173m. But when muck-raking politicians began questioning the legality of the deduction, the government denied having made the promise.

The case came close to costing the minister for revenue, Mr Ole Stavad, a Social Democrat, his job, and it may yet do so. A judicial inquiry has been set up to look into the misunderstanding and Mr Stavad's political life is on the line.

Himmerland has been accused of trying to save itself by selling bonds in the bank with money lent to its customers for the purpose, and without the risks being properly explained to investors.

As a consequence, the government has tabled legislation which will make it illegal for a bank, from the moment that a bond issue is announced, to offer to finance investment in the bonds. With many banks needing to replace bond-financed subordinated (tier 2) capital with new loans in order to meet the requirements of BIS capital adequacy rules, the events at Himmerlandsbanken and the political reaction to it have come at a bad moment for the banks.

"Right now is not the best climate in which to raise capital," said Mr Sorensen. "But things will calm down again. One should not draw the conclusion from Himmerlandsbanken that other banks will not be able to refinance."

Meanwhile, attempts are being made to find a solution to a problem at Varde Bank, which serves the west coast port of Esbjerg, the country's 10th largest bank with assets of about DKr11bn. Despite a capital restructuring in 1992, when the Central Bank and a consortium of larger banks guaranteed the bank's capital and liquidity, the bank's capital adequacy ratio has slipped below the legal minimum again and action to save the bank is imminent.

"I can only say that we shall try to adopt the most sensible solution," said Mr Sorensen.

KEY FACTS

Area	43,075 sq km
Population	5.17 million (1992 estimate)
Head of state	Queen Margarethe II
Prime minister	Poul Nyrup Rasmussen
Currency	Krone (DKr)
Average exchange rate	1992 $1=DKr6.036
	25/11/93 $1=DKr6.761

ECONOMY

	1992	Latest*
Total GDP ($bn)	142.4	n.a.
Real GDP growth (%)	1.1	0.3
GDP per capita ($)	27,552	n.a.
Components of GDP (%)		
Private consumption	52.0	
Total investment	15.2	
Government consumption	25.2	n.a.
Exports	37.0	
Imports	-29.4	
Consumer prices (% change)	2.1	1.2
Unemployment (% of lab force)	11.3	12.1
Reserves minus gold ($bn)	11.0	10.0
3 month money rate (%)	11.4	8.1
10 year bond yield (%)	9.0	6.5
FT-A index (% change on year)	-26.0	+33.5
Current account balance ($bn)	4.7	4.2
Exports ($bn)	40.6	n.a.
Imports ($bn)	33.4	n.a.
Trade balance ($bn)	7.2	n.a.
Main trading partners (1992, %)	Exports	Imports
Germany	23.6	23.1
Sweden	10.5	10.6
UK	10.1	8.2
EC	52.4	53.4
EFTA	21.6	22.4

NOTES: * = 1993 figures (GDP growth, current account - EIU forecasts for year; consumer prices, unemployment, reserves - September; Interest rates - 25/11/93; FT-A index - % change from 1/1/93 to 25/11/93).

SOURCE: IMF, Datastream, Economist Intelligence Unit

Exports stumble after five years of growth

Currency crossfire

This has been a dismal, and atypical, year for Danish exporters. Since a squeeze was put on domestic demand in 1986, exports have shown exemplary growth, increasing by 5 - 6 per cent a year until this year, when they have fallen by about seven per cent to value and 4 - 5 per cent in volume terms.

The Danes were suddenly rendered uncompetitive in some of their main markets by devaluations last year by European countries accounting in all for about 36 per cent of the country's merchandise exports. At the same time, the German market, which accounts for about 24 per cent of Denmark's merchandise exports, went into recession.

The Swedish krona has depreciated by 26 per cent against the Danish krone over the past year. Sweden accounted in 1992 for 10.6 per cent of Denmark's merchandise exports. In the first half of this year exports to Sweden fell by 16 per cent.

Exports to the UK, accounting for about nine per cent of 1992 exports, were down by 18 per cent, although sterling has recovered most of its value against the krone since the autumn of 1992.

The trade-weighted value of the krone this winter is back to the level of summer 1992, before the European Monetary System was rocked by currency speculation, but the statistical average is small consolation for those who export to Sweden or compete with her in third markets.

However, voices calling for devaluation have been few and far between and they received no support from the leading business organisations or from either the government or the opposition. Denmark spent a decade after 1982, when a Conservative-led government took office after a long period of Social Democratic domination, proving that it is committed to low inflation and a stable currency.

When the European Monetary System to all totents and purposes collapsed in August this year, the government sought to avoid a significant depreciation of the krone. The Central Bank maintained the average value of the krone unchanged against the Ecu, and after an initial weakening against the D-mark, with the exchange rate going from DKr3.88 to 4.14, the krone has strengthened again recently to a rate of around DKr3.96.

Devaluations in Europe last year hurt Denmark badly in its main markets

Danish exports are geographically concentrated on neighbouring markets, with some 75 per cent going to EC and Efta countries. In products terms, manufactures are about 75 per cent of merchandise exports and agricultural exports for about 18 per cent. But the food industry is more important than figures suggest.

With fish, processed fish products, sugar, and machinery, equipment and other inputs for the food industry (and not forgetting farmed mink pelts, where Denmark is a world leader), the total food and agricultural sector accounts for well over a quarter of the country's exports. The EU's agricultural policy reforms and the Gatt reforms (not yet agreed, of course) will hit agriculture hard, cutting the value of agricultural production by about 10 per cent, according to Danish government calculations.

Dairy exports will be hit especially badly, but pigmeat is one of the products which will suffer least from the reforms, which is a Danish advantage: pigmeat accounts for about eight per cent of total exports and 45 per cent of agricultural exports.

Despite the troubled future for agriculture in the medium term, there is no inclination on the part of the government or the agro-industrial sector itself to write off the agricultural and food industries. On the contrary, a report this autumn by the Ministry for Business Policy Coordination identified the food and food technology industries as one of the segments in which Denmark has a strong competitive advantage with an accumulated know-how.

A report to the government by the Institute for Food Studies and Agro-industrial Development in 1992 claimed that the value of agro-industrial production could be doubled over the next 20 years.

While the government does not necessarily accept the report's conclusions, it has shown its commitment to the agro-industrial industries through the Food Industry Technology research programme. Government and industry on a 50-50 basis together put about DKr800m into the programme over the period 1990-94 and plan to invest DKr1bn over the next five years in stage two of the programme, which is by far the largest Danish government-funded programme of its type.

Hilary Barnes

Colin Amery reviews three further finalists for the FT's architecture prize to be awarded today

A field of the highest quality

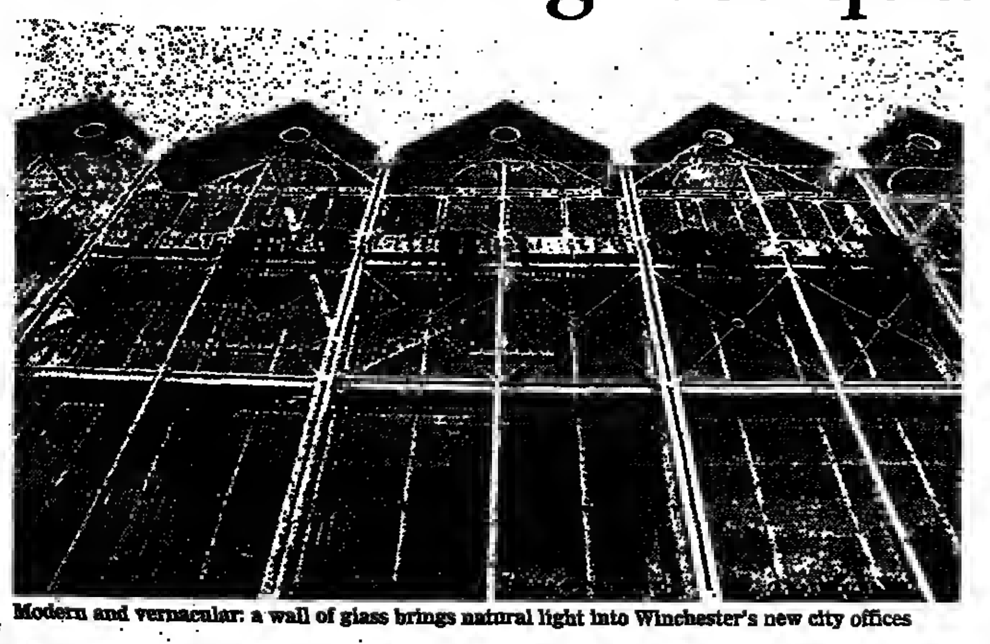
We are almost there. Tomorrow's FT will publish the name of this year's winner of the Financial Times Architecture Award. He or she will receive Britain's most independent and highly regarded architectural prize at a luncheon in London today. The long period of judging and visiting is over and there will be an opportunity in tomorrow's paper for an assessment of the significance of the award and of the state of architecture in Britain today.

Previous articles have looked at five of the eight shortlisted schemes: Stansted Airport and Cranfield Library by Sir Norman Foster and Partners; and Bracken House, Schlumberger Research and Bedfont Lakes (IBM) Business Park by Michael Hopkins and Partners. The remaining three schemes on the shortlist represent three very different types of building. The Queen's Stand at Epsom Racecourse by Richard Horden Associates; the new car park in Chichester by Birds Portchmouth and Russum; and Winchester City offices designed by the Hampshire County Architects department.

Epsom clearly needed an elegant new stand that could comfortably house the crowds on Derby day as well as provide a centre for functions and entertainments throughout the year. The choice of Richard Horden and Associates as architects was a brave one. The practice is known for its structural and engineering expertise and its experimental approach to building technology. The client, United Racecourses, has, by choosing a radical approach that is both refined and practical, acquired a new stand that is the acme of contemporary design.

The problem of new buildings in England's cathedral cities has been tackled in two very distinctive and different ways in Winchester and Chichester. Both cities have mixed reputations when it comes to new architecture, but it is fair to say that both places take great care about any additions to their ancient fabric.

Winchester has a county architects department that is one of the most distinguished in the country. Under the direction of Colin Stansfield-Smith, Hampshire has acquired a high reputation, particularly for its new schools and other educational buildings. The site of the new offices, which are partly occupied by the architects' department, is a typical, tight Winchester street, but one that had been spoiled in earlier days by the erection of a large multi-storey car park. The new offices try to be both modern and vernacular, adopting a traditional pitched roofline but lighting the offices through a completely glazed wall. This gives it the appearance of working in an atrium, except that it has a remarkable view over the city. An agreeable courtyard garden designed around an existing tree is another feature of the scheme, adding to its overall picturesque qualities. The pavement passed close to one side of the new block and this facade has been enlivened by the presence of specially commissioned stained glass windows.


Modern and vernacular: a wall of glass brings natural light into Winchester's new city offices

Chichester had a problem. The city is keen on traffic management and car parking is a crucial element of any traffic scheme. The decision to build a large, new multi-storey car park on the edge of the city centre but outside the old city walls was a controversial one. Chichester decided to commission a relatively unknown young practice, Birds Portchmouth and Russum, and the resulting building is extraordinary in many ways.

The architects decided not to diminish the scale of the whole operation but to make the car park look like a new set of city defences. The length of the building is broken up by the fat, circular staircase towers which are built of perforated brick work. Once you have parked your car the journey from the car park into the city centre takes you on a series of high level pedestrian bridges from which you can view the ancient town.

Even in these recessionary years the quality of the best of British architecture is very high. Choosing a winner for the FT award will not be easy.

Concert/Richard Fairman

Bartoli triumphs again

All around the world there must be music-lovers discovering a fondness for "arie antiche" that they never knew they had. The simple, catchy, innocuous little tunes of Scarlatti and Caccini, Cesti and Caldara could be on countless pairs of lips as Cecilia Bartoli's popularity grows ever wider.

Anybody who frequents vocal recitals knows these songs. They are the ones that come at the beginning of the programme, before the singer has warmed up, and then get forgotten. At least they used to be. Bartoli, in her desire to sing Italian songs which are right for her voice and her sense of style, has adopted them as ideal material, lavishing upon them all her very considerable art. Suddenly they seem trifles no longer.

Almost all the first half of her Wigmore Hall recital on Friday, accompanied by György Fischer, was devoted to "arie antiche". There is a secret to singing these miniatures. If they are to be treated as the Italian equivalent of art-songs, then every subtle inflexion and change of colour must sound as if it was only thought about the moment before. Bartoli, with youth on her side (she is still in her 20s), makes them as fresh as if the ink was still wet on the page.

The expressive colours in this mezzo voice are ravishing. Most of the time we hear it in comedy, but an aria from Vivaldi's *Bajazet* showed it can be turned no less winningly to pathos. At the end somebody near the front called for this item to be repeated as an encore and it was just as moving the second time round.

Some delightful songs by Mozart and Bellini in the second half were sung with the same degree of imagination, though by this point one might have been feeling the need for something stronger.

That was supplied with the aria Qui la Voce from Bellini's *I puritani* – usually for soprano, but performed here as adapted by the composer for the mezzo Maria Malibran. To bel canto, as to everything else, Bartoli brings her own personality, singing off the words in the aria, shaping the cabaletta for limpid beauty, when she of all singers might have chosen to dazzle us with her speed and agility. A move by Cecilia Bartoli into the operas of Bellini and Donizetti would be a fascinating prospect.

Theatre in Edinburgh/Alastair Macaulay

Master Builder avoids the Scottish tendency

Brian Cox – the National Theatre's most recent Lear and the RSC's award-winning *Titus Andronicus* has returned to Edinburgh's Royal Lyceum as leading actor and co-director of Ibsen's *The Master Builder*.

Cox, who started his career at the Lyceum, is not one of those Scots who disregards refined playing in favour of a Scottish slant, sometimes called "Glaswegian vulgarity". His *Master Builder*, played with Scottish accents but set in Norway, is a splendid example to Edinburgh theatre of how to avoid the excesses of this "Scottish tendency".

In a Lyceum programme interview, Cox speaks of his training at Lamda ("I came from Dundee to Glasgow was as alien a place to me as London was") and says that he "can't stand nationalism". Later this season Bill Paterson, a more overtly Scottish actor also acclaimed for his London stage work, returns to the Lyceum in Bulgakov's *A Mongrel's Heart*. It would be splendid if, in a later season, the Lyceum could bring Cox back in a major Shakespeare role – Anthony (*and Cleopatra*), Timon, Othello or, most obviously, "the Scottish play".

Cox dominates this production as Halvard Solness, the master builder, showing him as a working man who has raised himself by driving ambition and industry; he uses his bullish, neckless, physical power and vocal force to show this master builder as an ageing, domineering dynamo. (Morag Hood plays his wife as an altogether more cultivated and delicate Edinburgh type, smiling nobly through adversity: a beautiful performance.) It is plain that Hilde Wangel (Siri Neal), who arrives to change his life, comes from far away: she is the least Scottish character.

Cox uses ten silent young apprentices to "frame" the production. They function as part of Solness's workforce, as town spectators, and to help move scenery. One in particular stands still, looking out at us, before each act. He, and they, stand for many things: the child that Solness once was, the children Solness and his wife lost, the youthfulness Solness dreads and is fascinated by. Clever, but actually too intrusive in a play whose symbolism and ambiguities are already prominent.

In this production those meanings and ambiguities are vivid. Ibsen embodies, at the same time, the Romanticism of the early 19th century (Solness forever bursting against the confines of home and marriage), the naturalism and symbolism of the late 19th century (the social realism of the workplace; Solness and Hilde building their idealistic "castles in the air"), and the psychological investigations of the early 20th. Tom Piper has designed sets that economically and handsomely suggest the play's spires and aerial castles, its utilitarian domestic architecture, its Nordic light and dark, its Puritan simplicity, its recesses and distances.


Sean Hudson

Brian Cox and Siri Neal

Cox strikingly combines visceral force with intellectual refinement. However, as in some of his recent London performances, he forces so much volume and impact from certain lines that they break the cumulative drama. Neal, an altogether less mighty performer, is slightly too much a Hilde, nor does she have all the character's heartless impulsiveness, but she keeps keenly alive the gist and detail of every scene.

The Lyceum's previous production was Kenny Ireland's staging of *A Midsummer Night's Dream*. I caught it at the end of its transfer run in Glasgow. Ireland is developing a real repertory company here; it was good to see some of the same actors who had been in his *Recruiting Officer* earlier this autumn. Few of them, however, know how to combine clear verse-speaking with naturalism; and Ireland added an unnecessary layer of tricksiness by placing an echo around the fairies' voices. Rae Smith's scenery helped them to achieve some wonderful instant disappearing acts, but everything was an awkward mixture of staginess and superficiality – until the Pyramus and Thisbe scene, which worked like (excuse the pun) a dream.

At the Traverse, Sue Glover's *Bondagers*, a hit of the 1991 season, has been revived. A beautiful play, it movingly does honour to a vanished part of Scottish social history: the female agricultural labourers (bondagers) who, in the last century, moved each year from farm to farm within a small radius. No man appears; the cast consists of six women. (Ian Brown directs.)

The finest parts of the play are the virtually plotless body of its first half, and the ending. The story that wells up between these sections – a tale of sexual abuse, a mentally defective girl, rape, murder or accidental death, and punishment – is certainly affecting but relatively obvious. But the lyricism of the outer scenes is haunting; I love the way that the rhythms and spacings of agricultural work are caught, and the intimacies and tensions of female colloquy. Here Scottish acting, Scottish theatre, Scottish history are all admirably interwoven.

The Master Builder cootinues at the Lyceum until December 11: 031-229-9697. *Bondagers* runs at the Traverse until December 19: 031-228-1404.

Contemporary Dance/Clement Crisp

Buoyant Bhuller

Ever since he joined London Contemporary Dance Theatre a decade ago, Darshan Singh Bhuller has been identified with dancing that is mercurial, brilliant and varied in dynamics. In Richard Alston's *The Perilous Night*, his solo helps point to the future of London Contemporary Dance, as Alston will become director of the troupe when it mutates next year. The piece shows why there is much to hope for from him. Of the five new works seen on Rosebery Avenue thus far in this LDC season – one more to come next week – *The Perilous Night* is the most important.

The piece uses John Cage's exercise for prepared piano of the same name. Alston's response to the nervous drive and gamelan clangours of Cage's score is a study in nocturnal alarms. Bhuller, in pyjama bottoms, vest, dark glasses (not a modish accessory but a symbol of night itself), is impelled through a seqnence of dream – and possibly waking – states that convey, with unfailing resource, the physical imprint of unease. His body opens out, turns in on itself, builds long phrases of action that reach their culmination in a pose which seems to reverberate in response to the piano's sounds. The variety and imaginative richness of the dance is very fine, and no less finely exposed by Bhuller, who can shape a span of movement, or fragment it through a vivid shifts of timing and accent. The solo is as memorable as Alston's earlier *Soda Lake*. It is excellently lit by Peter Mumford. Cage's score is grandly performed by Nicolas Mojsiejenko. Let it please be filmed.

Nothing else in this programme can stand close examination. Bhuller's choreography for *Fall Like Rain* is a tease. There are three couples, not radiantly happy, and a glutinous jazz score by John Martyn. Bhuller appears, on wires, as Yadahpati, king of the sky and of rain in the Hindu pantheon, who can foresee destiny. His interventions, swinging over the stage, swimming through the air to touch the mortals, are visually fascinating: there is a dance-piece to be made from the contrast between aerialism and earthbound movement, but this is not it. For reasons I fail to grasp, monsoon rain falls – real water, in torrents. Everyone gets very wet, and the dance, such as it is, looks bedraggled. Gene Kelly never had that problem.

Christopher Bruce's *Waiting* has to do with the release of Nelson Mandela from prison. The corrugated iron walls of a township serve as drums for the cast, who also roll motor-car tyres over the stage. The ever-admirable Kenneth Tharp dances magnificently, giving the pieties of the choreography real urgency. Mandela, in the person of the singer Kwame Kwei-Armah, appears. Never mind the dance; feel the predictabilities.

London Contemporary Dance season continues at Sadler's Wells until Saturday. Programming varies. No performance today.


Alastair Muir

Gene Kelly was never like this: 'Fall Like Rain' looks bedraggled

Docklands Sinfonietta

Two nights after the BBC Symphony played Szymanowski and Lutoslawski superbly at Maida Vale, both composers reappeared in the Docklands Sinfonietta's programme in the Queen Elizabeth Hall (also live on Radio 3). Szymanowski's *Songs of a Fairytale Princess* came from the same rapturous-exotic period as his First Violin Concerto, and they, too, keep their soloist up in the stratosphere; he wrote them for his sister, who must have been a remarkably assured high soprano.

So, fortunately, is Eileen Hulse, who warbled and floated through them on Friday to enchanting effect. They will never be in the repertoire of many sopranos, for it is a rare voice that is both at home on those beights *and* has enough succulent tone to fill out the luscious swoops of the music. It is a little unfair to hear them so soon after the glorious Concerto, for tbey share its heady atmosphere – not quite so rich, for here the orchestral part is transcribed from the piano original – without the memorable tunes.

Still, hearing them at all is an unusual pleasure; Miss Hulse made it so, and Sian Edwards conducted with delicacy and insight. I was less sure ahont Lutoslawski's recent, delightful song-cycle *Chantefleurs et Chantefables*, on children's poems hy Robert Desnos. Miss Hulse, who was replacing an indisposed singer at short notice, sounded well in command of the subtle, funny verses, and the conductor captured the gaits of Desnos's fauna (grasshopper, tortoise, alligator) wittily – yet the set sounded "careful", without the crisp bite that all Lutoslawski music should have.

One more rehearsal might have got it. Two more were needed for Roussel's rackety Petite Suite: there were trumpet problems, and a dearth of irony and elegance. By the end of the concert, however, the Sinfonietta had found its proper form, and delivered Haydn's Symphony no. 60, "Il Distratto", with all due alertness and verve. Haydn's score stemmed from some theatre-music; Edwards and her players warmed to that, and it all gleamed with character.

David Murray

Sponsors: Morgan Stanley, BSIS

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS

Schauspielhaus Tonight: Bruno Leonardo Gelber plays Beethoven's First Piano Concerto with Berlin Symphony Orchestra. Sun, next Mon and Tues: Michael Schoenwandt conducts Elgar, Lalo and Mozart, with cello soloist Gustav Ravinius (2090 2156)

Philharmonie Tomorrow: Jörg Faerber conducts Württemberg Chamber Orchestra in trumpet concertos by Handel, Vivaldi and Telemann, with soloist Maurice André. Fri, Sat, Sun morning: Claudio Abbado conducts Berlin Philharmonic Orchestra in opening programme of this season's Faust series, including Wagner's Faust overture and a Kurtag world premiere, plus Beethoven's Fifth Piano Concerto with Murray Perahia. Perahia and Abbado give further concerts together on Dec 8, 9, 10, 14, 15 and 16 (2548 8132)

OPERA/DANCE

Komische Oper Tonight: Harry Kupfer's production of Les Contes d'Hoffmann. Wed: Flemming Flindt's ballet The Three Musketeers. Thurs: Yakov Kreizberg conducts orchestral works by Mozart and Shostakovich, with piano soloist Elisabeth Leonskaja. Sun: Carmen (229 2555)

Deutsche Oper Tomorrow and Fri: L'Italiana in Algeri with Jennifer Larmore. Wed: Il trovatore. Thurs and Sun: Tosca with Galina Kalinina and Richard Margison. Sat: Peter Schaufuss' production of Sleeping Beauty. Dec 19: new production of Un ballo in maschera (341 0249)

Staatsoper unter den Linden Wed and Sun: Der Freischutz. Thurs and Sat: Minkus' ballet Don Quixote. Fri: Giselle. Dec 10: Cecilia Bartoli song recital. Dec 12: Daniel Barenboim conducts first night of Harry Kupfer's new production of Die Walküre (200 4762/2035 4494)

■ NEW YORK

OPERA/DANCE

Metropolitan Opera The main event this week is the premiere on Thurs of a new production of Verdi's I Lombardi, conducted by James Levine, staged by Mark Lamos and designed by John Conklin, with a cast led by Luciano Pavarotti, Aprile Millo and Samuel Ramey (repeated Dec 6, 11, 14, 17, 21, Jan 7, 12, 15, 20). This week's repertory also includes Rusalka, La boheme, Madama Butterfly and Fidelio (362 6000)

State Theater New York City Opera has a four-week run of Balanchine's version of The Nutcracker, starting Wed. Daily except Mon, matinee and evening performances on Sat and Sun. No performances Dec 24 and 25 (870 5570)

Joyce Theater Toronto Dance Theatre is in residence from tomorrow till Sun. Next week: Eiko and Koma. Dec 14-Jan 2: American Indian Dance Theatre (242 0800)

CONCERTS

Avery Fisher Hall Tomorrow: Franz Welser-Möst conducts New York Philharmonic Orchestra in works by Richard Strauss and Franz Schmidt. Thurs, Fri, Sat, next Tues: Kurt Masur conducts Brahms and Mendelssohn. Sun afternoon: Itzhak Perlman (875 5030)

Carnegie Hall Thurs: Oscar Peterson. Sun afternoon: Kent Nagano conducts American Composers Orchestra in works by Golijov, Adams and Hindemith (247 7800)

Alice Tully Hall Fri: André Watts and friends play chamber music by Grieg, Schumann and Schubert. Sun afternoon: Ursula Oppens and Arditti Quartet play Gubaidulina, Birtwistle and Ligeti (875 5050)

JAZZ/CABARET

Blue Note Kool and the Gang are in residence from Tues to Sat this week and next, music at 9pm and 11.30pm (131 West 3rd St, 475 8592)

Village Vanguard Wynton Marsalis Sextet begins a two-week residency tomorrow (178 Seventh St South, 255 4037)

Algonquin Hotel Weslia Whitfield, one of the most assured jazz-cabaret voices to arrive in New York in recent years, is in residence till Jan 1 in the Oak Room. At 9pm daily except Sun and Mon (59 West 44th St, 840 6800)

Michael's Pub Eddie Bix and Bing: a musical revue saluting the music of Eddie Lang, Bix Beiderbecke and Bing Crosby, daily from Tues till Sat at 9pm and 11pm. Woody Allen's Dixieland jazz band holds forth most Mondays at 8.45pm (211 East 55th St, 758 2272)

Carlyle Hotel Bobby Short is in Café Carlyle for the Christmas season. Singer-pianist Barbara Carroll is in Bemelmans Bar (Madison Ave and 76th St, 744 1600)

Rainbow Room A Leonard Bernstein revue is playing till Jan 1 (65th floor, GE Building, 30 Rockefeller Plaza, 632 5000)

THEATRE

● Angels in America: Tony Kushner's epic two-part drama – about religion, sex, Aids and corrupt politics – conjures a vision of America at the edge of disaster. Part one, Millenium Approaches, has now been joined by its sequel, Perestroika (Walter Kerr, 219 West 48th St, 239 6200)

● The Kentucky Cycle: Robert Schenkkan's 1992 Pulitzer Prize-winning drama follows 200 years in the life of a mining family in Appalachia and is performed in two parts (Royale, 242 West 45th St, 239 6200)

● Cyrano: a musical based on Edmond Rostand's classic love story. This production, with Dutch actor Bill van Dijk in the title role, originated in Amsterdam (Neil Simon, 250 West 52nd St, 307 4100)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical directed by Scott Ellis – a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's glitz-laden mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

● Any Given Day: a drama by Frank Gilroy about a Bronx family who face turning points in the 1940s (Longacre, 220 West 48th St, 239 6200)

● How to Write a Play: a loosely autobiographical farce by Charles Ludlam, about a man who must either write a play or lose the grant money given to his theatre (Ridiculous Theatrical Company, One Sheridan Square, at West 4th St and Seventh Ave, 691 2271)

● Kiss of the Spider Woman: the Kander and Ebb musical, based on the novel by Manuel Puig about two men in a South American prison. Directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

■ PARIS

DANCE/OPERA

Palais Garnier Ballet de l'Opéra de Paris has revived its 1992 production of Picasso et la Danse, featuring choreographies by Nijinska, Roland Petit and Massine. Daily except Monday till December 8 (4742 5371)

Centre Pompidou Bill T. Jones/ Arnie Zane Dance Company is in residence this week, daily except tomorrow (4478 1315)

Opéra Bastille Myung-Whun Chung conducts Bob Wilson's new production of Madama Butterfly tomorrow, Thurs and Sat, next Mon, Wed and Fri. Diana Soviero and Valentina Sedipova alternate in the title role. Offenbach's Les brigands opens on Fri for a run of 19 performances till Jan 12 (4473 1300)

Théâtre des Champs-Elysées A new production of Lully's Roland (1685), conducted by René Jacobs and staged by Gilbert Deflo, can be seen tomorrow, Thurs, Sat, next Tues and Wed. The title role is sung by José van Dam (4952 5050)

CONCERTS

Théâtre des Champs-Elysées Tonight: Brigitte Engerer piano recital. Wed: Anatol Ugorski piano recital. Fri: Charles Dutoit conducts Orchestre National de France in works by Berlioz and Liszt, with piano soloist Jean-Philippe Collard. Sun morning: Pierre Amoyal and Mikhail Rudy play violin sonatas. Sun and next Mon: Seiji Ozawa conducts Boston Symphony Orchestra and Choir of French Radio in two Berlioz programmes (4952 5050)

Châtelet Tonight: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in Beethoven's Violin Concerto (Gidon Kremer) and Third Symphony (4028 2840)

Salle Pleyel Dec 8, 9: Lutoslawski conducts Lutoslawski. Dec 15, 16, 17: Solti conducts Beethoven (4561 0630)

JAZZ/CABARET

American blues singer Linda Hopkins is in residence for the next two weeks at Lionel Hampton Jazz Club. Daily except Sun, music from 10.30pm (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Samuel Brittan

Misguided UK Anti-Brussels fire

It too often seems the Brussels Commission can do no good in British eyes - it is attacked by British ministers both when it is wrong and when it is right. The widely reported strictures made by Kenneth Clarke, the British chancellor, on Community documents at a finance ministers' meeting in Brussels a week ago today, is a case in point.

Ministers had in front of them at least two separate economic documents. One was a "Note on the Economic Elements of the White Paper" that the Community president, Jacques Delors, will be presenting at the forthcoming EC summit, but which will fortunately not be binding. The second was a draft "framework for the Broad Economic Policy Guidelines" required under the multilateral surveillance clauses of the *Maastricht Treaty*.

The White Paper draft deserves all the invective of which Mr Clarke is capable, and more. Indeed Jacques Delors himself seemed to a few of those present to be distancing himself from it. Some people have divined behind the thick fog of its prose a call for compulsory shorter hours. That is the least of its faults. The document has all the hallmarks of the Social Affairs Directorate. Its prose is Eurospeak at its very worst and it is difficult to imagine in what language (if any) it was originally written.

There is no diagnosis of the causes of unemployment and no meaningful policy prescription. An example is paragraph five: "Our intuition, backed by the renewed dynamism shown by the European economies from 1985 to 1990, is that Europeans can conceive a model of development in line with their traditions, preserving their social model while adapting it, fully integrating technological progress and the environment, offering to all the prospect of integration in society through work, social activity, participation as a citizen." That is one of the clearer sentences.

Indeed the authors throw in every worthy development of which they can think, such as "the accelerating pace of the information-technology industry, the audio-visual sector and biotechnology" - the modern equivalents of the traditional American invocation of motherhood and apple pie.

The subtext is of course clearer.The authors would like to defend all the most unfortunate European institutions (miscalled "social") such as minimum wages, the enforcement of nationwide collective bargaining agreements, heavy overhead employment expenses and labour market restrictions. But fearing to do so too explicitly, they try to be all things to all men.

By contrast, the Economic Guidelines - obviously drawn up by the DG2 directorate - were as different from the White Paper as chalk from

Only in the context of wider interest rate cuts can UK fiscal restraint be offset

cheese. The original draft called for a reduction of two to three percentage points in average Community short-term interest rates, with the lead taken by Germany. This would signal to economic agents "that the worst is over, that monetary policy had been loosened as much as it was possible and that nothing would be gained by further postponing any investment decisions which may have been contingent on the availability of the best financing conditions." I would have preferred some justification for these figures - which could easily have been given in the context of an objective for a non-inflationary growth path for nominal GDP. But they are somewhere in the right ball park.

Unfortunately Germany, the Netherlands and the UK managed to get this suggestion removed from the final draft. In doing so the British chancellor has scored an own goal. For it is only in the context of European or worldwide interest rate reductions that the restrictive effect of British fiscal tightening can be offset without taking the irresponsible risks with sterling that a British dash for ultra cheap money would entail.

On the labour market front, the original guidelines called for an average increase in real wages of one percentage point per annum less than the rise in productivity. This is as near DG2 could go in embracing the notion of pricing people into work. An implication of the guideline would be a trend rise in the share of profits in the national income.

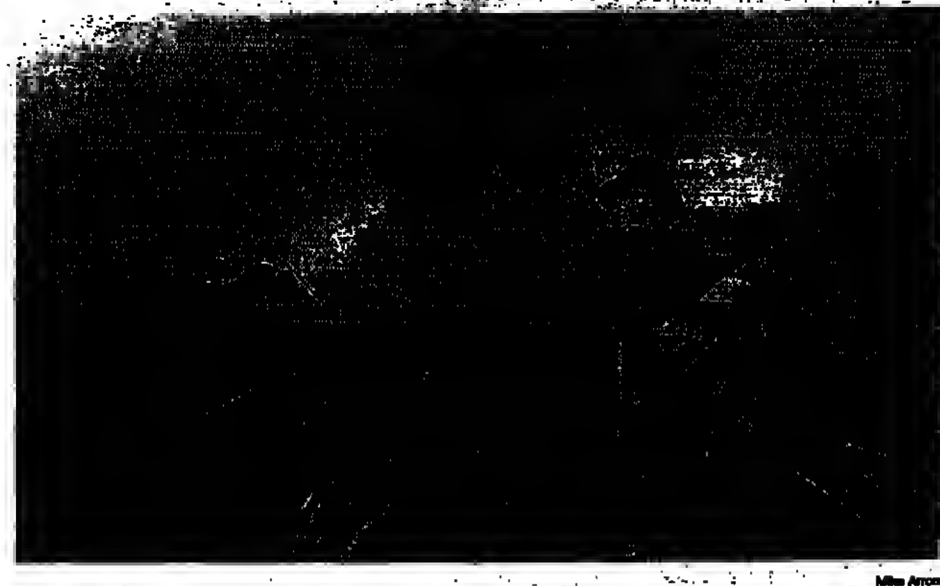
The suggestion was however too much for the ministers who downgraded the suggestion to the historical statement that such moderation in real wage gains had occurred in 1982-89. The one area where the ministers firmed up the guidelines was the insertion of an explicit inflation target of two to three per cent per annum by 1996, a magnificent victory in the last war.

The headline controversies were about the Commission's original target of at least 15m new jobs, to halve unemployment by the year 2000. Obviously this is an aspiration: the red meat is in the policy proposals (and of course in purely market-generated changes). Still, in the words of the poet Robert Browning, "a man's reach should exceed his grasp." But even the aspiration was too much for ministers who watered it down to a numerical illustration.

The whole episode raises the wider question of the minimalist British attitude to the European Monetary Institute which starts work this coming January in Frankfurt. The work of this Institute offers the best hope of a concerted European monetary policy designed to support non-inflationary growth; and its efforts in the not-so-distant future could be far more important for the outlook for production and jobs than the parochial detail of the UK Budget. But has anyone so briefed Mr Clarke?

Furrowed brows look to lean years

Deborah Hargreaves and Alison Maitland on the shift in UK agriculture away from family holdings



Mike Aron

Hard times down on the farm: Peter Swift faced the loss of his 92-acre holding this summer

The tanks of shiny new tractors unveiled at the Royal Smithfield agricultural show in London today would cause more than e glint of envy in Mr Peter Swift's eye.

Mr Swift, a Lancashire vegetable and cereal farmer, has watched neighbouring producars on large arable farms enjoying a bonanza year; many of them have seen their incomes rise faster than the everage for all farmers last year. But Mr Swift faced the prospect of losing his 92-acre holding this summer when mounting debts meant he was unable to hire help for tha swede harvest. In the end, two friends helped him at weekends.

"I'm not ashamed to say I've been living on charity for six months," he says. Far from investing in new machinery, he does not own a tractor and is rushing to harvest his crops to curb hire costs. He has only stayed in business because of a sympathetic bank manager, he says.

In contrast, Mr Adrian Peck, who farms 1,000 acres in Cambridgeshire – the grain belt of Britain where farms are large and the farmers the richest in the UK – has just bought a new tractor. He has been able to take advantage of a boost to his income caused by the 20 per cent devaluation last year of the "green pound" which is used to translate prices set by the European Union into sterling. In total, British farmers are an estimated £135m better off this year thanks to the devaluation. Mr Swift receives little support from Brussels because most of his crops are not covered by the European Common Agricultural Policy. He is left victim to the vagaries of the free market.

Such mixed fortunes highlight the shift that is taking place in agriculture in the UK, away from traditional, small, family holdings. Competition is intensifying as world prices for many commodities fall – and European Union-supported prices in particular.

But while the larger farmers may be enjoying a breathing space, the pressures on farmers are set to increase. Additional reforms of CAP are likely to cut subsidies even further and a possible new General Agreement on Tariffs and Trade would step up competition.

Together European agriculture ministers have agreed that EU farmers should be exposed increasingly to the free market and the impact of the Brussels farm support price regime gradually diminished.

So far, however, the effects have been softened in the UK by the devaluation of the green pound, which has increased cereal prices and boosted payments under the controversial set-aside scheme which pays grain farmers to grow less. Mr Peck hopes to receive a cheque soon from the government for close to £13,500 for leaving 150 acres of his land lying fallow this year.

Some of the farmers receiving compensation payment are rich landowners – a fact that particularly galls Mr Swift. Unlike almost any other form of state income support, agricultural aid is not means tested.

UK farmers have been helped further by low interest rates and the 40 per cent tax allowance on farm equipment that the government announced in the March Budget and which lasted until the end of last month. Salas of *tractors – regarded as an* important indicator of farmers' fortunes – were up 30 per cent in the 10 months to the end of October after record-low sales last year. But they are still *only about half the level of 10* years ago.

The National Farmers' Union expects the continuing impact of devalnation will result in growth in everage farm incomes this year exceeding last year's 23.6 per cent increase, thanks to the continued impact of sterling's devaluation in the first half. But optimism is patchy. Not all sectors are feeling the effects of devaluation. And particularly pessimistic are smaller farmers who have not been protected so much by the CAP, even though the scheme was originally supposed to help them.

Mr Swift sees little hope for farmers like him: "There is no future for a family farm like ours – we're only just surviving. I'm not really making a living, I'm just paying bills." He, and other small farmers, are increasingly looking to find part-time employment.

Mr John Earl, a pig farmer from Kent, says he is selling his animals at 90p a kilo when it costs him £1 a kilo to rear them. Pork prices are not supported under the CAP. "We are tightening our belts, but we can't go on in that situation for long," he says.

Smaller farmers are facing *pressure to diversify into leisure* or tourist facilities. "It is part of a general pattern; the large farms are getting bigger and the family farms are being squeezed to look for alternative income," says Mr David Lloyd-Jones who runs holiday cottages on his mixed livestock farm in Wales.

Among the farm industry as a whole there is a fear that the larger operators will not long escape such gloom and that the good times currently being enjoyed will soon turn into lean years.

Last year's CAP reforms were designed to be neutral for the European farmer on an average income; compensation payments would be made for three years to counteract the planned falls in prices. But Mr Sean Rickard, the NFU's chief economist, says Britain's arable farms are larger than the European average and tend to grow more grain per acre. Compensation payments will not offset the price falls. Separately, in the next few years, once the effects of devaluation have worn off, payments for set-aside are likely to fall short of revenues foregone.

Moreover, after the three years covered by the current *CAP reforms, many farmers* believe support prices will be reduced again. A Gatt agreement would also have the effect of cutting EU support prices even further, bringing many close to world levels.

Mr Peck fears that he and his large-farmer counterparts will have to reckon with competition from big farmers from, for example, Australia and the US. He points to wheat farms in Australia which are on average twice as big as his and more highly mechanised: "how could we in Britain compete with that – we'd have to dig up the countryside," he argues.

Mr Malcolm McAlister, managing director of Booker Farming, which farms directly or advises on the management of 45,000 acres in England and Scotland, says a Gatt agreement would squeeze less efficient producers and hasten the concentration of farming.

"Farming will move to areas of natural advantage – our best farms in East Anglia are world-competitive cereal producers. But if you're a struggling Cumbrian wheat grower you will give up. That shift is already happening but the CAP reform and a Gatt deal will hasten it," he says.

Faced with these mounting pressures, many farmers believe that the short-term gains they are enjoying offer a limited chance to pay off some debt and invest in equipment or land. "This is an opportunity for farmers to re-group and restructure, making them better able to withstand the effects of the Gatt when it comes," said Mr David Naish, president of the NFU.

Thera are signs that some producers are already heeding his advice. Farm debt levels in England and Wales peaked at £6.6bn in August 1991 according to the Midland Bank, dropping to £5.8bn by October this year. Yet a survey published today by Adas, the government's farm advisory service, suggests that investment by farmers, though rising this year, is in long-term decline; sales of farm machinery are 34 per cent lower than in 1988.

Farmers are notorious for not underplaying their misfortunes. But at least for the larger farmers, the bonanza they are currently enjoying means there is little excuse for not taking action to secure their future against the uncertainties of increased competition in years ahead. That, though, will be little consolation for the small players such as Mr Swift.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Face up to deficit by borrowing

From M C Kennedy.

Sir, *Stephen Bell of Morgan* Grenfell could hardly put the case better when he writes that recession leads to a loss of industrial capacity and to more unemployabla labour (Letters, *November 25*).

Why then does he call for "massive increases in taxation and/or reductions in public expenditure" to close the budget deficit? He must surely know that such "massive" measures will lead to a correspondingly "massive" worsening of the recession, to more unemployment and to further losses of industrial capacity. Samuel Brittan, in a series of articles, has been correct in repeatedly questioning the seriousness of the budget deficit and in warning against panic over its size.

The best way of handling the deficit in present conditions is to go on borrowing. Wa have already seen from the experience of this year thet this can be done without tha rise in interest rates (and fall in security prices) which some people in the City are so fearful of.

More generally, fiscal action should always be undertaken with e view to its effects on the economy - on inflation, employment and industry.

M C Kennedy,
Fellow, University of Manchester,
53 Kingston Road,
Didsbury,
Manchester M20 2SB

Take the trade deal on table

From Sir Derek Thomas.

Sir, Your leader, "Trade talks" (November 25), rightly underlines the urgency of resolving tha outstanding *issues in the Uruguay Round* before the December 15 deadline and goes on to deplore the new problems which the US is introducing at this late stage. But, characteristically, you left *out one area which is of great* importance for the European services sector.

Throughout the Round, the UK has pressed for an outcome which would advance the interests of service providers in the UK and the rest of Europe. We would not pretend that this aim has yet been fully mat. Tha commitments of many of our trading partners could certainly be bettered.

But the Uruguay Round is more a staging post than e final destination. A worthwhile initial package of commit*ments certainly is now* within reach and there is a framework of claar, internationally-accepted rules as a basis for more liberalisation in the future. Some of our partners *fail to recognise this*, and still seek a perfect outcome in their particular sector, et the risk of losing the benefits of the whole. This is short-sighted and illusory.

Surely the world's economic leaders must now secure the gains already within sight by pushing the Round to a successful conclusion. What is on the tabla is worth having and we must not lose it. The alternative is a return to the protectionist tit-for-tat of the 1930s which, evan without the world's present state of instability, would not bear contemplation.

To argue the services case in terms of a glass half full or half empty is to miss the point. The point for services is that for the *first* time there is now a glass on the tahle that will hold water for the future. Let's for goodness sake pick it up.

Derek Thomas,
chairman,
liberalisation of trade in services committee of British Invisibles,
Windsor House,
39 King Street,
London EC2V 8DQ

Trade and service mark options

From Mr Robert A Hurst.

Sir, Although I was pleased to read Robert Rice's report on November 19 ("Registration to be simplified", November 19) to the effect that the long-awaited Trade Marks Bill is to be introduced in the current parliamentary session, I should like to draw your attention to two slight errors.

First, I am afraid thet the Queen's Speech was too late to influence the choice of location for the European Trade Marks Office, which (it was decided at the EU summit at the end of October) is to be located in Spain. London has accordingly missed the boat.

Second, the proposed ratification of the *Madrid* protocol for the registration of international trade marks through the medium of the World Intellectual Property Organisation (WIPO) is independent of the EU Directive of December 1988, which merely instructs member states to harmonise their local trade mark laws.

By 1996, companies will have the option of applying for three alternative forms of trade or service mark:

a. In the UK, under the new Trade Marks Act.
b. Internationally, through the medium of WIPO in Geneva.
c. In Europe, through the medium of the Community Trade Mark Office in Alicante.

Robert A Hurst,
D J Freeman, solicitors,
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Distinction

From Mr David Bennington.

Sir, The price of the FT is worth it for the articles by your excellent TV critic, Christopher Dunkley, alone.

In "Up with sex, down with violence" (November 24), he correctly shows the proper distinction and encourages those of us who would like to see more freedom of expression on TV for the things we enjoy (like sex) while deploring the depiction of aggressive and violent behaviour.

Those in continental Europe seem to understand the difference – why not we British?

David Bennington,
29 Morford Way,
Eastcote,
Ruislip,
Middx HA4 8SL

Assumptions on benefits of UK forestry privatisation flawed

From Mr John James.

Sir, Your article "The Future of the Forests" (November 23) suggests that privatisation of the Forestry Commission has some merit, particularly in addressing the commission's current shortcomings. But it makes two fundamental assumptions which need to be challenged.

First, the commission has already made headway on the issues of hidden environmental costs, bureaucracy and unfulfilled recreational potential for which it is criticised. Progress towards quantifying and defining the costs of environmental benefits has been made through the new special management grant and the community woodland supplement for tree planting. The reorganisation of the commission last year has helped to improve its effectiveness and the fact that the commission's forests receive 50m visits per year indicates it fulfils its recreational potential very well.

Second, and much more importantly, there is an assumption that privatisation could protect non-economic benefits. The role of the commission has changed out of all recognition since the 1970s when timber production at all costs was its watchword. It now takes a lead in promoting multi-purpose forestry – integrating access, landscape and wildlife conservation with timber production in its own forests and as a regulatory authority for felling and planting. This change has been hard won and like many other organisations the Woodland Trust wants to see the status quo retained, consolidated and given a chance to work. Private interests have yet to show whole-hearted enthusiasm for guaranteeing access and conservation interests even when incentives are available.

We have major concerns that the estimated £35m-£40m annual public subsidy which would be needed for private landowners to maintain the commission's current environmental management standards would not be forthcoming in the current climate on public spending. Voluntary bodies like ourselves would be left with an impossible task in trying to protect woodlands of major environmental significance.

John James,
chief executive,
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FINANCIAL TIMES
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Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Monday November 29 1993

Talking to the IRA

Anyone who seeks peace in Northern Ireland, at an honourable price, should support Mr John Major today. The prime minister has been charged with duplicity, on the ground that his government has sanctioned secret contacts with the Irish Republican Army in spite of its frequent protestations that it would never negotiate with terrorists.

This is a setback for those who believe that governments must at all times behave like boy scouts, but the alternative would have been worse. Public deal-making with Sinn Fein, the political wing of the IRA, could not be countenanced by a democratically elected British administration unless the bombers of Warrington and the Shankill Road turned convincingly away from violence.

Yet a refusal to keep open unofficial lines of communication would have denied the government the chance to make its own position plain, and to take note of any peace proposals coming from the other side.

The Israelis spent some time in secret conclave with the Palestine Liberation Organisation before emerging in public with their recent deal. Mr Major has not gone nearly as far as that, nor could he even if he wanted to: unlike Israel, he is not in the business of trading territory for peace.

Constitutional future

British policy is clear. If the IRA lays down its arms, and an unspecified period of "quarantine" has passed, Sinn Fein can join talks about the constitutional future of Northern Ireland. Relations with the republic of Ireland will be discussed with Dublin. Any proposals arising from such talks would have to be endorsed by the voters of Northern Ireland. The unionists would therefore retain their veto on any plan to move towards a united Ireland - a point Mr Major again needs to make plain today. Republicans would have to persuade them to change their minds. The IRA is thus invited to abandon its campaign of violence and to rely on Sinn Fein's re-entry to the political process. It can show whether its talk of peace has any substance by picking up that invitation today.

Mr Major, who has placed himself at the head of a drive to seek a political settlement of the troubles, has behaved with courage, and a sense of responsibility. Certainly, as an FT report shows today, his peace initiative is in tune with business opinion in Ulster. It also reflects the feelings of most ordinary people. The prime minister aims to take advantage of a tide of popular feeling in favour of peace, while not abandoning the unionists and their right of veto. He is therefore standing by his Northern Ireland secretary, Sir Patrick Mayhew, who has no reason to resign. The latter has said that the documents relating to back-door communications with the IRA will be published today. It must be presumed these will confirm that the long-standing and oft-repeated government promise to the Unionists, that the people of Northern Ireland will be able to determine their own future, will be seen to have been respected.

Limit the damage

Northern Ireland being what it is, this will not satisfy everyone. The cries of "betrayal" from the Reverend Ian Paisley's Democratic Unionists are routine; the more measured response from Mr Molyneaux's larger unionist party suggests that it may be possible to limit the damage to the prime minister's peace initiative. It is often remarked that the government depends on unionist votes to shore up its uncertain parliamentary majority, but, against that, the unionists depend on the continuance in office of the Conservatives. To Ulster ears, Labour sounds pro-republican. A greater danger lies on the right wing of Mr Major's own party, where prounionist speeches have recently been made by Lord Tebbit and the former chancellor, Mr Norman Lamont. Initial reactions to the weekend's news, notably from Mr Lamont, suggest that the damage may be containable.

With luck, and skill in handling the house of commons, Mr Major and Sir Patrick should be able to weather today's political storm. Assuming that they do, there should be no hesitation in pressing on with the peace initiative. The next step for the prime minister will be to confirm the date for his planned summit meeting with Mr Albert Reynolds, the Irish prime minister. Friday would not be too soon.

A mega-bond for London

The rage Londoners feel over the unreliability, inadequacy and squalor of their city's transport system last week reached boiling point. A power black-out trapped tens of thousands of passengers in London Underground's tunnels. Many more were left waiting for buses or delayed in traffic jams. Others stayed at home.

If last week's chaos was a freak event, it could be forgiven. But it is merely the latest in the catalogue of misery that Londoners have to endure almost daily. If they travel underground, they face packed carriages, out-of-order escalators and cancellations. If they travel by road, they are often delayed in traffic.

It is not just passengers who suffer. London's attraction as an international centre of wealth creation is being compromised. Companies lose out directly when employees cannot make it in to work. In the long run, business could migrate to more efficient locations.

Decades of under-investment, poor management and antiquated labour practices are now bearing their bitter fruit. The urgent priority is to find extra resources. London First, the business-led group, thinks £17bn will be needed over 10 years to modernise the underground and to finance new projects such as Crossrail.

Where are such vast sums going to come from? On current plans, only half will come from central government. Given the enormous budget deficit, there is little chance of more cash from that source. In fact, further cuts are possible in this week's budget.

Passengers benefit

Wholesale privatisation is not a realistic prospect either. The underground would only become profitable if its network was shrunk and fares increased sharply. Meanwhile, although the group set up this month under Sir Alastair Morton may inject life into the government's initiative of attracting private finance for infrastructure projects, even enthusiasts recognise that subsidies will be needed before most such schemes can be profitable.

But there is no reason why this money must come from central government coffers. In so far as passengers benefit from better services, it is right that they pay more. But it is right that those who have property in the city and those who travel on its roads should also pay their share.

What are needed are new mechanisms to raise funds. Why not earmark a portion of the capital's business rates and council taxes? After all, better public transport would increase property values. Or why not hypothecate revenue from London's street parking charges? Car-users would benefit from roads not being so crammed.

Revenue streams

Once new fund-raising devices were authorised, there would be no need to wait for the cash to trickle in. It would be possible to issue a multi-billion pound bond, secured by future revenue streams. Funds could speedily be made available to subsidise the underground's modernisation and new private-sector projects.

How should such an initiative be co-ordinated? While ministers would prefer a quango - if they could be persuaded to look at the idea at all - a democratically accountable body would be better. There should be no taxation without representation.

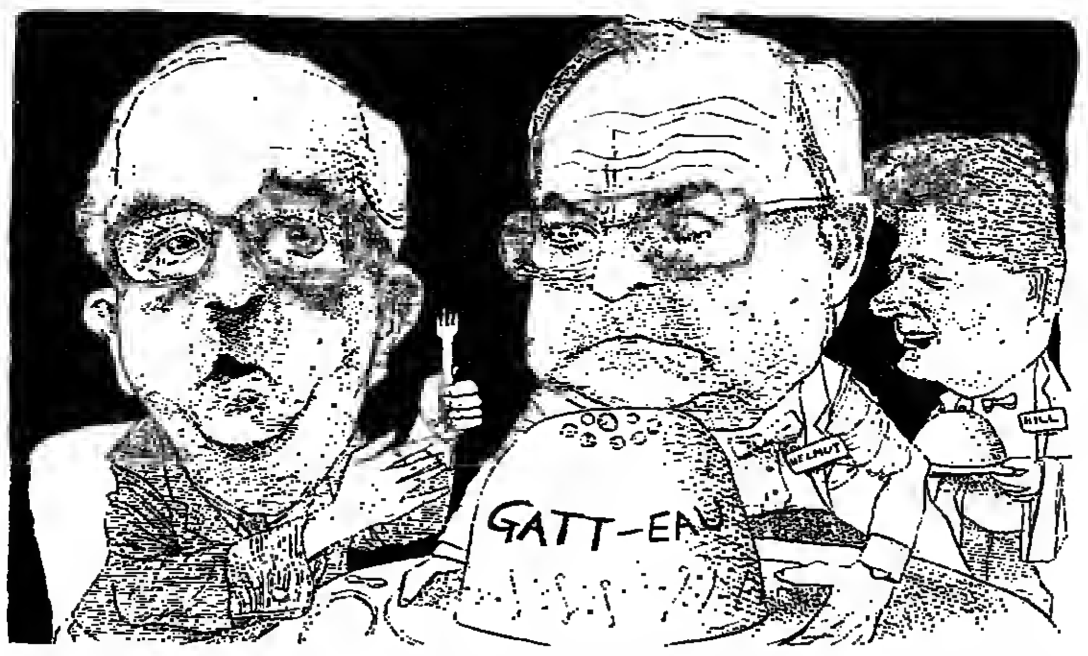
But ministers would not have to resurrect the ghost of the Labour-dominated Greater London Council. The new body would focus on transport alone. It would not own the underground and new projects. The relationship could be an arm's-length contract, under which the body provided investment funds in return for specified service improvements. With such contracts in place, it might even be possible to privatise the underground and start to sort out its management and labour problems.

Other ways could be found to make the body appeal more to ministers. For example, it could cover parts of the commuter belt, so ensuring it was not always Labour-run. Its authority could be limited in time, say to a decade. Ministers might even appoint its members but require investment and fund-raising plans to be approved by referendum.

Such an initiative could only be undertaken if ministers were willing to slaughter a herd of sacred cows. But, given that the alternative is continued decay, a radical approach is needed.

Germany hopes France will yield to gentle persuasion and sign a Gatt deal, write **David Buchan** and **Quentin Peel**

The inconvenience of a la carte



With barely two weeks to go in the Gatt trade negotiations, the moment of truth is fast approaching for France – for its deeply nervous government, its unequally matched agricultural and industrial lobbies, its key relationship with Germany and its vision of the European Union as a power in the world.

There are signs of movement in the long logjam over agriculture now that the Clinton administration has lifted its sights from regional to world trade issues. But Prime Minister Edouard Balladur is still talking very tough. He is threatening to block a Gatt deal if the US does not produce some speedy concessions not only in farm trade, but also on steel, textiles and future world trade rules that would submit Washington to the same disciplines as others. "We have obtained nothing of what we have asked for," he told his backbenchers last week.

On one thing only, the French prime minister has conceded. After months of letting his ministers deride Gatt's December 15 deadline as "an American date", set to suit Congress, he has acknowledged thet, for better or worse, the middle of next month is decision time. Indeed, he has now cleared the decks for little else but Gatt, scheduling a parliamentary debate on Gatt before mid-December and making a trade agreement the focus of bilateral summits with European partners.

By far the most important of thess is the Franco-German summit in Bonn tomorrow and Wednesday. Leaders of the world's third-largest exporter (Germany) and fourth-largest exporter (France) will not have any precise Gatt text to chew on.

But the task befora Ghancellor Kohl, President Mitterrand and Mr Balladur is to recast, on a world level, the historic compromise which their countries made in 1957. This gava French agriculture free run (though on price terms that protected less efficient German farmers) of the Common Market in return for opening that market to German industry.

A generation later, the trade-off is more complex. Germany's interests as an industrial exporter remain constant, while France has become the world's second-largest food exporter, thanks largely to EU subsidies, and a big exporter of manufactures and services to the world. The US and the Cairns group of food exporters are insisting that France commit itself to sacrificing some of its 12.3 per cent share (at 1991 levels) of the world cereals market in return for industrial trade gains that are only potential.

Will Chancellor Kohl add his voice to this chorus? President Clinton apparently requested this in a message passed on hy Mr John Major when the UK prime minister was in Bonn last week.

There is superficial logic in Mr Glinton's desire to bring German influence to bear on France. Such is the depth of the Franco-German relationship that Mr Kohl is probably the only person in a position to prevail on Paris. The two countries are each other's biggest trading and industrial partners; inside the EU they have produced a joint plan for their economies to converge; outside the EU each takes few foreign steps without the other; they have merged part of their armies in the Eurocorps; their civil servants and young people infest each other's ministries and universities; and so on.

The historic rationale of this relationship, admitted by the leaders of both Germany and France, has been to bind the Federal Republic into western Europe. But on the Gatt, the rationale is reversed – it is for Germany to persuade France not to break ranks with the common commercial policy which is the European Unioo's earliest and most lasting achievement.

In the sborter term, Mr Kohl has a tough election year ahead in 1994. He urgently needs the recovery which German industry is convinced a Gatt agreement could hring. Inside his coalition government, the foreign and economic affairs ministries, which lead for Germany oo the trade issue, are headed by pro-Gatt Free Democrats.

But, if one thing is sure, it is that, while Mr Kohi is asking France to recognise its own and Europe's interest in doing a Gatt deal, he will never insist. To do so might not only endanger the position of Mr Balladur, who might be toppled by his party leader and presidential rival, Mr Jacques Chirac; it would severely strain the overall Franco-German relationship, more important to both countries than any individual policy.

Neither side sees Gatt as a real threat to their relationship. An Elysée official says: "We do not see Gatt as a confrontation with Germany, but rather with the US and it is easler in France to stir up anti-American reflexes than anti-German ones."

The same sentiment exists on the Rhine. "It is not a question of pressure hy one side on the other. That is a rather Anglo-Saxon formulation," says Mr Ingo Kolboom of the German Foreign Policy Association in Bonn. "The relationship does not function like that. It is a matter of mutual persuasion . . . and the French know that they are a modern industrial state."

Assuming such self-knowledge on the part of many French is, however, a hit risky. They regard Gatt as a pistol held to the nation's head and see images of their past collective life passing nostalgically in front of them: Van Gogh's golden wheat fields, whicb would lie forever fallow because of the Blair House cuts in subsidised cereal exports; or arty Truffaut films, whicb would he pushed out of Frencb cinemas by Hollywood blockbusters given even freer rein under Gatt.

France is only now coming to political terms with an industrialisation process far slower than that of many of its partners. Whereas, for instance, the rural population in Britain had shrunk to 42 per cent in 1881, it was only well after the second world war, in 1954, that France's rural community dwindled to that level.

Since then, however, the modernisation of agriculture has increased apace. Active farmers now account for 6 per cent of the population. The average size of farms is more than 30 hectares and half are now run as companies. Mechanisation and flight from the land has resulted in the paradox that as it has become a world "agri-power", so France has ceased to be a mainly agrarian society.

But French farmars retain an outsize political clout, providing the swing vote of more than 10 per cent in a fifth of the National Assembly's 557 seats. No less than a third of the country's 36,000 mayors describe themselves as farmers or retired farmers. And in the Hotel de Ville in Paris sits Mr Chirac who has never forgotten how much he enjoyed himself as agriculture minister in tbe early 1970s.

However, there are now faint signs of the emergence of countervailing pressure to the farm lobby. The exporters of (unsubsidised) wines and spirits have come out squarely in favour of Gatt. The house magazine of the Institut de l'Entreprise, a select club of France's top captains of industry, recently dared to say what its members have been privately telling Mr Balladur in an article entitled "Let's hope France is bluffing".

It stated: "If France were to carry the blame for the breakdown of a multilateral trade accord wisbed by all its partners, it would very quickly lose all the standing It has acquired with its foreign clients over decades."

This is precisely tbe message Bonn would like to see spread in France, but dare not to do so overtly itself. "We have been terribly careful not to be seen to dictate or interfere in the French debate," says a senior diplomat in Bonn. "We have simply tried to suggest to some leading people in the French media that there may be anotber, more positive side to the Gatt. We have not been very successful."

Certainly, the big fear among Gatt's supporters on the both sides of the Rhine is that Mr Balladur has left it too late to start selling a world trade agreement to his country. "Something must be found which makes it impossible for the Frencb to say No," says the German diplomat. And in the German view, a large part of the answer must come from Washington.

Yet to win his new democrat spurs

MICHAEL PROWSE on AMERICA

After the White House victory on the North American Free Trade Agreement many Republicans began to revise their opinion of President Bill Clinton. His advocacy of lower trade barriers with Mexico was so passionate, it seemed churlish to doubt his credentials as a "new democrat" – a man obviously committed to market forces.

At the Seattle meeting with Asian leaders, Mr Clinton scaled new rhetorical heights. Turning to the far more important battle for global trade liberalisation, he claimed a new Gatt agreement could transform the US economy, eventually creating 1.4m jobs and raising average household incomes by $1,700. "This, my fellow Americans," he said, "is tha answer to 20 years of stagnant wages for the hard-working middle class." It could have been George Bush speaking.

Mr Vin Weber, a leading Republican strategist, promptly welcomed Mr Clinton into the conservatlve fold. He pointed out, correctly, thet tariffs and quotas are merely taxes and government regulation hy another name. Mr Clinton could not logically favour free trade without also favouring free enterprise and low taxes domestically. Policies the president deemed essential abroad could scarcely be harmful at bome.

In the forthcoming battles over healthcare reform and other social policies, Mr Clinton should thus not feel dependent on support from unions and other stalwarts of the Democratic left. Provided he stuck to the principles he enunciated so clearly in the Nafta debate, conservatives would flock to the Glinton cause. The impromptu Nafta coalition could be converted into a permanent congressional force for market-oriented reform.

It was an inspired if mischievous, thought. But is Mr Clinton really a new style of Democrat? He only began to fight hard for Nafta once he realised a defeat could undermine his authority in foreign policy and perhaps his standing as president. If you consider his first year as a wbole, his record is less impressive. Indeed, only a few months ago, Mr Clinton was lcoking about as modern as Walter Mondale in 1984.

Having just forced through a budget thet raised the top rate of personal income tax by a third, he did not seem remotely concerned by the adverse impact this domestic tariff might have on incentives for high-paid individuals or the owners of successful small businesses. Tbe only thing that mattered about the hudget was its "fairness" – the fact that nearly all the new taxes were to be borne hy the wealthiest 1-2 per cent of families.

But for a Seoate filibuster, Mr Clinton's budget would have included a wholly unnecessary short-term Keynesian stimulus. In these pre-Nafta days, Mr Clinton's rbetoric on trade was far less enlightened. He tried to inflict a crass form of "managed trade" on Japan, involving quantitative targets for various industrial sectors. In stark contradiction to the rule-based Gatt system which he is now championing, it sought guarantees from Japan that chunks of its domestic market would be reserved for US and foreign companies.

So who is the real Bill Clinton? Is he tbe ardent advocate of global free trade, the man who promises to "compete, not retreat." Or is he the old-style Mondale democrat, keen on soaking the rich, revving up the economy and bashing the Japanese?

The answer will become apparent only as tbe coming year's debate on social policy begins to heat up. A deal with the right is certainly conceivable. Most conservative Democrats and Republicans are doubtful about central elements of the Clinton healthcare plan, such as the proposed caps on growth of private insurance premiums and the "mandate" requiring all employers to pay 80 per cent of employees' healthcare costs. But many enthusiastically support other elements, such as the attempt to increase cost efficiency hy promoting "managed competition" between private-sector providers of care. If Mr Clinton is willing to negotiate, be might be able to assemble a centrist coalition similar to that which triumphed on Nafta.

Similar considerations apply in welfare reform and job training. Many Republicans were impressed hy Mr Clinton's campaign pledge to introduce a strict two-year limit on welfare payments, after which most recipients would have to enrol in training schemes or accept jobs. Conservatives recognise the need to upgrade training to give workers displaced by global competition a better chance of acquiring new skills. They would probably support a Clinton job-training initiative, if it incorporated market-oriented mechanisms, such as vouchers.

There are good political reasons for Mr Clinton to move to the right on social policy. By firmly occupying the middle ground of US politics, be would reduce his vulnerability to a presidential challenge from a moderate Republican in 1996.

Yet it is far from clear that he will jump this way. Mr Clinton's top social policy advisers, such as his wife Hillary and Mr Robert Reich, the Labour Secretary, seem less market-oriented than the Treasury officials who played a hig role in the trade debate. After Nafta, Mr Clinton is bound to want to restore cordial relations with organised labour. All this may preclude radicalism on healthcare, welfare or job training. The notion that the Nafta coalition can be transformed into a permanent force for radical reform may be too good to be true. Mr Clinton has yet to earn his new democrat spurs.

OBSERVER

Younger model sought

■ Good to see the Treasury at last employing outside help to assist it decide the fate of its creaking economic model.

Alison Sprague, an economist and computer modelling expert at KPMG Peat Marwick, has passed her slide ruls over several of the outfits which might have a crack at running the model, should the boffins throw in the towel themselves.

Her report is about as closely guarded a secret as the Budget.

Nevertheless, Observer gathers that the general idea is partial privatisation, by way of soliciting advice on updates to the model.

A former colleague of one of the Treasury's advisers, Patrick Minford, Sprague has spent several weeks on ths telephone to the likes of the London Business School, the National Institute of Economic and Social Research, and Warwick University.

One notable omission is the Centre for Economics and Business Research.

Its boss, Doug McWilliams, recently uncovered an embarrassing flaw in the way the model treats consumer spending.

But it looks as if a degree of residual Whitehall amour propre prevents his flair being directly acknowledged – at least for now.

Tango guru

■ Sir Alan Walters, erstwhile economic guru to Lady Thatcber, recently popped into a Cape Town business conference.

Chairing a discussion between South African finance minister Derek Keys and his African National Congress counterpart, Trevor Manuel, Sir Alan appeared mildly surprised at the lack of flying fur.

He shouldn't have been. The two have a public policy tango; Keys espouses the "social objectives" of economic policy and Manuel speaks of "flying the flag for capitalism".

Sir Alan nevertheless demonstrated a sense of humour by presenting them each with a copy of Lady Thatcher's book The Downing Street Years – itself jam-packed with public tangos which feli apart when the going got tough.

Olympian struggles

■ The hunt is on for a chief executive of the Sydney Olympic Games organising committee; but Rod McGeoch, a 47-year-old Sydney lawyer, couldn't care less.

That's odd, because McGeoch led Sydney's successful September bid to host the games in the year 2000.

McGeoch is cheesed off at lack of official recognition for those who worked on the bid; he has walked out.

There have been other hiccups too. John Fahey, the New South Wales premier, has incurred some ire for having snatched responsibility for the games from Bruce Baird, NSW transport minister. Baird had done most of the work in the bid run-up.

Then there are the rumours of a "budget blowout", eupbemistically disguising possible capital expenditure excesses.

Finally, John Valder, the bid's main fundraiser, claims be has been kicked off the organising committee's board because no-one had remembered to appoint a woman.

The first task of the new chief executive will be to engender a little more *jeu d'esprit* amongst the organisers.

Grecian earn

■ Beware of gift-bearing-Greeks, particularly politicians. Constantine Mitsotakis, no longer Greece's prime minister but merely a humble backbencher, is getting a grilling over who or what provided his impressive private collection of antiquities.

While in office his daughter – Dora Bakoyiannis – served as culture minister, fending off archaeologists' allegations that part of her father's collection of Minoan vases and Cretan jewellery – more than 1,000 items – derived from a looted ancient cemetery.

Mitsotakis probably won't face formal accusations of antiquity stealing; since 1979 he has had a private collector's licence.

But Melina Mercouri – she of the 1980s campaign to get the British Museum to return the Elgin Marbles to Greece – is now the new culture minister.

Mercouri is renewing the Elgin war; and she is also investigating the Mitsotakis mystery.

Low interest

■ Kenneth Clarke, Britain's Chancellor, influences interest rates hut even he can't offer the sort of deal West Bromwich Building Society currently has.

The West Brom is giving a BSkyB satellite dish plus a year's free subscription (worth about £450) to everyone who takes out one of its discount mortgages.

Glenn Elliot, West Brom's chief executive, hails from Perth in Australia. There it's common practice to give away things like solar panels with mortgages.

"But solar panels probably wouldn't go down too well in Britain" says the man from West Brom.

Room service

■ The Queen's Moat House hotel in Bournemouth is making an offer which can hardly he refused; spend three days there at the New Year and get three nights for £5 apiece next summer.

Given the hotel chain's pre-tax £1.04bn loss for its last year of trading and its £1.18bn debt, Bournemouth's seem a generous offer. But watch out for small print; such as 'while stocks last'.

FINANCIAL TIMES
Monday November 29 1993

Political heartland turns from both main parties

India's Hindu militants suffer election setback

By Stefan Wagstyl in New Delhi

Hindu militants, who last year unleashed civil unrest and political turmoil in India after storming the Ayodhya mosque, yesterday suffered a serious setback in the most important polls held since the 1991 general election.

The Bharatiya Janata Party, the radical Hindu opposition whose supporters destroyed the mosque, saw a marked decline in its popularity in state elections.

However, the ruling Congress (I) party failed to capitalise on the fading of the BJP's fortunes. Large numbers of voters in Uttar Pradesh, the heartland of northern Indian politics and the most important state to go to the polls, deserted both major parties.

Mr P Narasimha Rao, the prime minister, had pledged to put economic reform back at the top of the agenda following the polls. But the mixed results seem unlikely to inspire the government to tackle controversial issues – such as over-manning in the bureaucracy and state-owned industries. Moreover, the prime minister could come under attack from within his own party for its electoral performance.

In a letter to Mr Narasimha Rao, Mr P R Kumaramangalam, a junior minister, urged the resignation of party officials responsible for the elections. "The present collective leadership that manages the affairs of the party have failed the party and the people miserably," he wrote.

Nearly one third of Indian voters were given the opportunity to vote in six state elections in northern India. By last night, vote-counting was virtually complete in four states: Himachal Pradesh; Rajasthan; Uttar Pradesh; and the city of Delhi. Counting is due to start tomorrow in Madhya Pradesh and in the small north eastern state of Mizoram.

Himachal Pradesh, Rajasthan, Uttar Pradesh and Madhya Pradesh were ruled by the BJP until their assemblies were suspended last year for allegedly encouraging the Ayodhya mosque's destruction. Congress has won Himachal Pradesh, a former stronghold, but the BJP seems likely to retain control of Rajasthan, though without an overall majority. In Uttar Pradesh voters turned in large numbers from both main parties and voted for the populist Samajwadi Janata Party and its allies, a grouping dominated by lower castes.

Last night projections showed the BJP looked likely to win about 170 of the 425 Uttar Pradesh assembly seats, down from 221; the Samajwadi grouping were likely to secure about 180 and head an anti-BJP coalition government in the state. Congress, which once dominated Uttar Pradesh, was predicted to take less than 30 seats.

In Delhi, where state elections were being held for the first time after 40 years of central government rule, the BJP won a clear majority. BJP officials claimed winning Delhi far outweighed losing Himachal Pradesh because of the capital's political importance. Congress officials said anti-BJP forces had gained ground in all the states which had previously experienced BJP government. Mr R L Bhatia, the deputy foreign minister, said: "We have turned the tide against the BJP."

Business says N Ireland must grasp opportunity for peace

By Jimmy Burns in London and Tim Coone in Belfast

Leading businessmen in Northern Ireland believe the province has a unique opportunity for lasting peace that should not be missed.

They believe Sinn Féin, the political wing of the provisional Irish Republican Army, will have to be drawn into talks to make a political settlement possible once it has renounced violence.

Interviews over the last week with executives at the top 50 companies in Northern Ireland found most broadly support London and Dublin's efforts to reach a settlement.

They warned that failure would risk a renewed upsurge of violence with damaging consequences for the economy. Many of the province's leading businessmen believe that an eventual unification of Ireland could be acceptable as long as there are economic and business dividends from a peace settlement.

Business leaders in Northern Ireland have traditionally been reluctant to be drawn into the political debate for fear of becoming targets of terrorist attacks. Their decision to break their silence underlines the importance attached to peace efforts at a time when businesses are threatened by terrorism on the one hand and recession on the other.

Sir George Quigley, chairman of Ulster Bank said: "The two governments should work closely together and all concerned grasp the sense of urgency... there is a need to act now and not just drift for another 12 months which would lead to a repetition of the violence of the last 25 years. This is a turning-point."

Mr Edward Wilson, Ulster Carpets' managing director, said there was a great yearning for some sort of settlement. "I would be quite happy as an industrialist to work in a united Ireland or within the UK... given the right political institutions and the right economic support from the EC there is no reason why Ireland should not operate as a single political and economic entity." Eventually, he added, "bringing Sinn Féin to the negotiating table would have to be part of a necessary process".

Mr Trevor Campbell, managing director of Moy Park, a leading food processor, commented: "No one is in any doubt that a cessation of violence would help the economic climate generally. I don't want a temporary ceasefire but a permanent one. If the government can get a devolved administration in Northern Ireland this will help business."

Mr Georges Senninger, managing director of Montupet, a French motor components company based in Belfast, said: "Every time we try and sell something the 'troubles' factor comes into play. The IRA is part of the landscape here. I don't think it is possible to have a political settlement without them."

Lockerbie film may pave way for deals with Libya

By Roland Rudd and Robert Peston in London

Lonrho, the UK-based international conglomerate, is ready to complete deals worth hundreds of millions of pounds with Libya if a documentary film shows it to be innocent of the Lockerbie bombing, Mr Tiny Rowland, the joint chief executive, said yesterday.

Mr Rowland said Lonrho had set up a Caribbean shell company to finance a film about the bombing to establish whether Libya was involved in the destruction of the Pan Am airliner over Lockerbie, Scotland, in 1988 with the loss of 270 lives.

"The Libyans want to sign deals with Lonrho worth hundreds of millions of pounds but I have to be sure we are not involved with partners of mass murder," he said. "If the film proves them to be innocent, there will be enormous potential to sign many deals."

Mr Rowland said Libya wanted to take a 25 per cent stake in Lonrho's agricultural business and had pressed the company to sign new joint ventures worth around £150m ($224m) through the Libyan Arab Finance Company (Lafico), the main investment vehicle of Colonel Muammer Gadaffi, the Libyan leader.

But Mr Rowland said: "I have told them that until we know for sure that they were not involved in the Lockerbie bombing we cannot do any further deals."

Mr Rowland rebutted suggestions that his joint chief executive, Mr Dieter Bock, the German financier who owns 18.8 per cent of Lonrho, was not backing the film. "Mr Bock has fully supported the board in deciding to make this film," he said.

Mr Bock, however, is known to be embarrassed by the film and wants Lonrho to withdraw from further co-operation with Libya.

The film is being funded by Metropole Hotels which is two-thirds owned by Lonrho and one-third by Lafico.

Mr Rowland said he had been warned by the UK government that screening of the film, due to be completed by January, could be in contempt of court. Mr Rowland said he had no intention of showing the film to the public but said a copy would be sent to the foreign office.

THE LEX COLUMN

Saving in safety

The UK chancellor's pledge before the CBI conference to conduct a thorough review of tax on savings might give the pensions industry a stay of execution. The obvious targets for tomorrow's Budget, such as tax-free lump sums on retirement and higher rate relief on pension contributions, can hardly be considered in isolation. For example, restricting relief to the basic rate of income tax only makes sense if taxation of pensions in payment is reformed along similar lines.

The drift of policy has been clear since Lord Lawson introduced the cap on pensions contributions in 1989. With the cap indexed to prices rather than earnings – and now frozen altogether – the attraction of pensions vis-a-vis other forms of savings, such as personal equity plans, will gradually diminish. Mr John Maples, former economic secretary to the Treasury, recently proposed the logical extension: pension contributions should be paid out of taxed income but benefits paid tax free, as under a PEP. While that might initially raise £7bn a year for the exchequer, the chancellor would again be guilty of pre-empting a wider review.

The same could be said of another cut in pension funds' tax credit on dividends. The cut to 20 per cent in March was rationalised as bringing the credit in line with the new lowest rate of income tax. Unless Mr Clarke introduces another lower rate, that argument will not wash again. Given the muted response to the last cut, though, the dividend credit may look a soft target. Abolishing it altogether might bring in £2bn, even allowing for tax relief for companies forced to increase their contributions to top up pension funds as a result.

Queens Moat

An agonising couple of days looms for Queens Moat Houses. Today shareholders meet to approve the 1992 accounts. Tomorrow, bond holders make their first response to the breach of covenants on the debentures. The controversy over the group's hotel valuations will loom large in both discussions. Equity holders are concerned that the latest valuation of only £861m weakens their position vis-a-vis the banks. If it is too low, their interests will be unduly diluted in any eventual debt-equity swap, while the banks will have an increased share in any future appreciation of the assets.

Coincidentally, a low valuation of the properties is in the interest of the new management, too. The company's recovery will look more impressive if it starts from a low base. But that does not necessarily mean shareholders are being treated unfairly.

First, £861m may turn out to be nearer the mark than the £2bn at which the hotels were valued in 1991. The new valuation promised by the company may shed some light, but it is a pity that an embarrassed Royal Institution of Chartered Surveyors has used the cover of the government enquiry into other aspects of the case to defer its own adjudication. Second, the real reason for the restructuring is that the company cannot generate enough cash to service its debt. Such a situation invariably puts banks in the driving seat.

Arguably debenture holders face a different kind of choice. By calling in their security, they might end up with more cash than if they hold on and renegotiate the terms of their bonds as part of the overall refinancing. That, of course, would be one way of testing the £861m valuation. The risk to bondholders is that hotel sales would then take place at fire-sale prices, which is not what the valuers envisaged.

European chemicals

It will take more than marginal capacity cuts to transform the outlook for Europe's petrochemicals companies. If European producers can agree to close inefficient plant – they appeared close to a deal last week – capacity utilisation and profitability should improve. But with BASF's large Antwerp cracker due to start production, token closures will not suffice. Besides, the real pain in the current downturn has been caused by weak prices rather than low utilisation rates.

There seems little hope of a substantial pricing recovery until capacity elsewhere in the world is brought into line with demand. Higher prices in Europe would suck in imports, notably from the US. Since US companies are generally low-cost producers, the flow of imports would be triggered at prices which would leave most European producers in the red. That cost disadvantage will not be easily solved. Small European plants using expensive feedstocks to make plastics in countries with high labour costs face a long uphill struggle.

Even so, firmer plastics prices combined with higher utilisation rates would bring mild relief. The worry is that the prospect of subsidies for plant closures is delaying action that would otherwise be taken on economic grounds alone. If the talks are going to fail, it is better that they do so soon.

Food manufacturing

Strange forces are fast reshaping the UK's food industry and the stock market seems confused about what to make of them. For the first time in a long while, it rates food manufacturers' earnings more highly than those produced by food retailers. And while the retailers have underperformed the market by 34 per cent this year, the manufacturers have shown a more modest 11 per cent decline. That would either suggest food retailing stocks have been oversold or that manufacturers have a lot further to fall. The recent warning from Northern Foods has only reinforced the latter view.

Yet there are several reasons for the divergence in relative performance. Retailers were previously rated more highly and have had more room to fall. But food manufacturers may also prove more defensive. The bigger companies, such as Unilever and Cadbury Schweppes, have strongly-growing businesses outside the UK. Moreover, producers have made great efficiency gains in recent years, largely under the cosh of the retailers.

Nevertheless, big restructuring charges may emerge as a feature of the manufacturing sector as companies try to drive down costs. US consumer products companies, such as Procter & Gamble and Philip Morris, have perhaps set the trend. It will certainly be a brave investor who ventured back into either food sector at present. Both sectors, though, may find some comfort from dividend yields touching 4 per cent.

Colosio

Continued from Page 1

Sonora. He went to university in the industrial city of Monterrey, and has a graduate degree in urban development from the University of Pennsylvania. He has become one of the president's most loyal aides, and helped to mastermind the PRI's victory in the 1991 legislative elections.

Peace effort hit by dialogue with IRA

Continued from Page 1

life taken and people injured – as indeed was the case – I would have been readily forgiven by the people of Northern Ireland."

That version of events was denied by Mr Gerry Adams, the president of Sinn Féin, who accused Sir Patrick of "lying". Mr Adams said there had been a more substantial discussion and an exchange of policy positions involving senior civil servants.

Mr Martin McGuinness, the prominent Sinn Féin leader with whom the messages were exchanged, said contacts were continuing on a weekly or daily basis with the full knowledge of the prime minister.

In an attempt to reassure the mainstream Ulster unionists Sir Patrick insisted that at no time had the government dropped its condition that there could be no negotiations until the IRA ended its terrorist campaign.

It is understood, however, that the documents include an explicit offer of a place in negotiations for Sinn Féin if the IRA ceases its campaign.

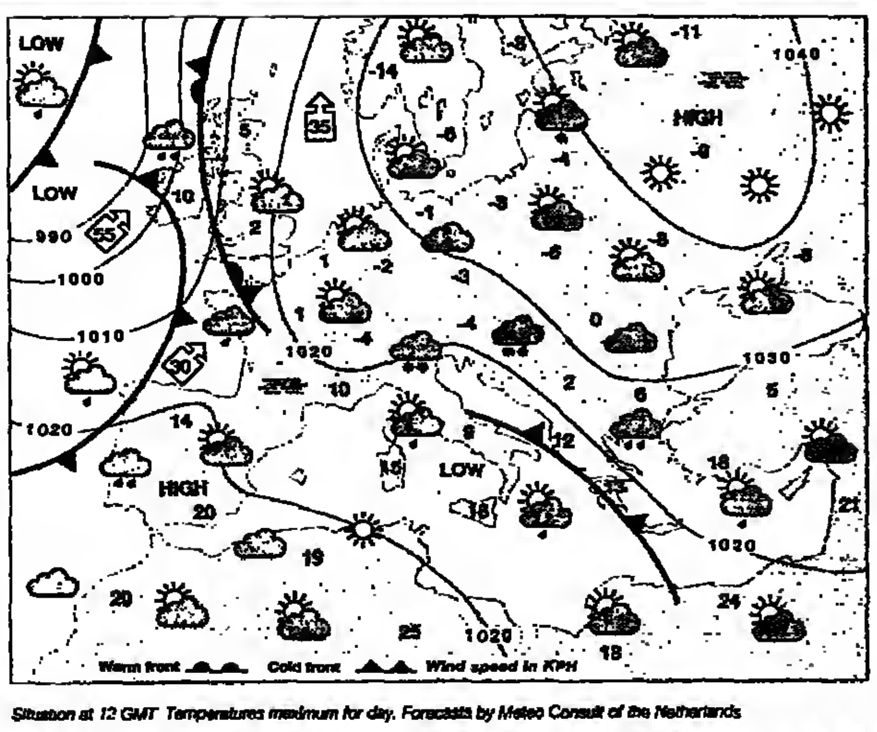
FT WORLD WEATHER

Europe today

Low pressure systems arriving from the Atlantic will bring milder ocean air that will begin to change the wintry conditions prevailing over the continent. A low pressure centre west of Ireland will cause unsettled conditions over the British Isles with gale force southerly winds in coastal regions. An adjoining frontal zone will shift east causing widespread snowfall in East Anglia tonight. More rain will reach the French and Spanish coasts during the afternoon. Meanwhile, a high pressure centre over Siberia will continue to cause wintry conditions in northern and central Europe. Another night with severe frost is expected from Scandinavia and the CIS as far south as Romania. An old frontal zone will cause clouds over eastern Germany and Poland and some snow in the Baltic States. The heaviest snow will occur over Austria, Hungary and northern Yugoslavia. The eastern Mediterranean will remain very unsettled with heavy rainfall in coastal regions of Italy, Greece, the former Yugoslavia and Turkey.

Five-day forecast

The high pressure which has dominated conditions over Europe is slowly moving east. Warm air will move in and end the wintry conditions. Temperatures will rise well above freezing level in western regions.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius														
Abu Dhabi	sun	27	Belfast	rain	7	Cardiff	rain	4	Frankfurt	fair	-2	Malta	rain	18	Rio	fair	28
Accra	fair	32	Belgrade	cloudy	2	Chicago	fair	1	Geneva	fair	-2	Manchester	rain	4	Riyadh	sun	27
Algiers	cloudy	19	Berlin	cloudy	-3	Cologne	cloudy	0	Gibraltar	cloudy	20	Manila	cloudy	32	Rome	fair	15
Amsterdam	cloudy	-1	Bermuda	fair	27	D' Salaam	fair	27	Glasgow	rain	4	Melbourne	fair	27	S. Frsco	shower	15
Athens	rain	13	Bogota	fair	22	Dakar	fair	25	Hamburg	cloudy	0	Mexico City	fair	21	Seoul	sun	11
B. Aires	fair	27	Bombay	sun	33	Dallas	fair	17	Helsinki	fair	-4	Miami	sun	24	Singapore	fair	30
B.ham	cloudy	2	Brussels	cloudy	-1	Delhi	sun	26	Hong Kong	fair	24	Milan	fair	4	Stockholm	cloudy	-3
Bangkok	cloudy	33	Budapest	cloudy	0	Dubai	sun	27	Honolulu	fair	28	Montreal	cloudy	1	Strasbourg	fair	-5
Barcelona	fair	16	C.hagen	fair	2	Dublin	rain	9	Istanbul	fair	10	Moscow	fair	-4	Sydney	fair	28
Beijing	sun	5	Cairo	fair	24	Dubrovnik	shower	13	Jersey	shower	6	Munich	fair	-5	Tangier	fair	19
			Cape Town	fair	23	Edinburgh	rain	4	Karachi	fair	31	Nairobi	fair	23	Tel Aviv	fair	21
			Caracas	fair	29	Faro	cloudy	19	Kuwait	sun	25	Naples	shower	15	Tokyo	fair	16
									L. Angeles	cloudy	20	Nassau	fair	25	Toronto	snow	2
									Las Palmas	fair	22	New York	fair	9	Tunis	sun	17
									Lima	cloudy	24	Nice	fair	12	Vancouver	rain	10
									Lisbon	rain	17	Nicosia	fair	21	Venice	shower	7
									London	fair	4	Oslo	fair	-7	Vienna	snow	-2
									Luxbourg	cloudy	-2	Paris	fair	1	Warsaw	fair	-6
									Lyon	fair	-5	Perth	fair	22	Washington	sun	-8
									Madeira	fair	20	Prague	cloudy	-4	Wellington	fair	12
									Madrid	cloudy	15	Rangoon	fair	33	Winnipeg	fair	-9
									Majorca	fair	18	Reykjavik	rain	4	Zurich	fair	-6

FINANCIAL TIMES

COMPANIES & MARKETS

Monday November 29 1993

Satellite network for VW dealers

By Raymond Snoddy

Scientific-Atlanta, the communications technology group, is to provide a private satellite network for Volkswagen which will eventually link its dealers all over Europe.

When it is complete the VSAT (*very small aperture terminal*) network will be by far the largest in Europe with several thousand terminals.

As many as 300 dealers are to be linked to the network within the next year mainly in the eastern part of Germany where the telecommunications infrastructure is poor.

It is believed to be the first example of a manufacturing company, as opposed to financial services groups, setting up its own VSAT network in Europe.

The network will handle everything from data communications and broadcast video for staff training to credit-card verification and the provision of in-store music. After the links are established with VW dealers in eastern Germany the network will be expanded *to cover dealers* in the rest of Germany and then across Europe.

VSAT networks are common in the US and by the end of last year more than 100,000 terminals had been installed worldwide, adding up to a $350m a year business. They are less common in Europe with an estimated 2,000 terminals in use, mostly in Germany. Apart from financial services they are mainly used by governments.

In the Volkswagen deal Scientific-Atlanta will be the equipment provider and V-Crest Systems Europe, a wholly-owned Volkswagen subsidiary will manage the project.

Scientific-Atlanta claims that VSAT networks can offer 20-30 per cent discounts on traditional land line communication. Volkswagen says in many parts of eastern Germany *it is impossible to link* dealers using a traditional terrestrial network.

The Atlanta-based company decided to enter the European VSAT market last year mainly because of the European Union's moves towards deregulation of telecommunications markets.

Bayer starts drive to grow in China

By Tony Walker in Beijing

Bayer, the German chemicals and pharmaceuticals group, is *to invest $200m* in six Chinese enterprises as part of a drive to establish a comprehensive presence in China.

An umbrella agreement was signed at the weekend in Beijing with the Chinese Ministry of Chemical Industry and subsidiary agreements with prospective partners.

Ventures include plastics *manufacturing*, the production of tanning agents and dyes, and the packaging of photographic film.

Mr Dieter Becher, a Bayer board member responsible for Asia, announced the establishment of a *holding company in* Beijing to oversee Bayer's business in China, one of the first such foreign holding companies on the mainland.

Mr Becher said: "Bringing our best technologies here is the best way a company like Bayer can contribute to the development of an advanced chemical industry."

Bayer's announcement follows a visit to China earlier *this month by Chancellor* Helmut Kohl. Agreements signed during the Kohl visit totalled more than $2bn and included the sale of six Airbus A340's and the construction of an 18-kilometre underground link in Guangzhou.

Bayer's decision to establish a presence in China also reflects growing competition among *chemicals and pharmaceutical* companies for a share of a booming market.

Mr Becher said Bayer's exports to *China* totalled DM520m ($307m) in 1992, but "it would be difficult to increase this on the basis of imports alone".

Bayer's umbrella agreement with the Chemical Industry *Ministry covers co-operation* in planning and construction of chemical plant, and in engineering and technology transfer. The German company will also manufacture Baygon, its well-known insecticide, in Guangdong province. Marketing starts next year.

Projects under consideration include production of pharmaceuticals, and animal health and crop protection products.

Vosper set for sales

Colin Beere

Vosper Thornycroft, the UK manufacturer of warships, is hoping for export success with its new cutter. The 34-metre vessel, designed for HM Customs and Excise, has been built with anti-smuggling and offshore patrol duties in mind.

Chelsfield comes to market valued at £250m

By Paul Taylor in London

Chelsfield, the UK private property company led by Mr Elliott Bernerd, is coming to market through a placing and intermediaries offer likely to value the group at between £240m ($357m) and £250m.

On this basis the group, founded by Mr Bernerd with £200,000 of capital in 1986, will rank as the 12th largest quoted British property group.

Chelsfield will raise a total of £110m in new capital, £65m through the placing and intermediaries offer and £45m from existing shareholders to coincide with the flotation.

At the same time the group, which had fixed assets of £356m at the end of June and has current net assets of £141m, has agreed to acquire a portfolio of properties from Allied Lyons Pension Fund for £30.6m, of which £15m will be in the form of new shares.

Mr Bernerd, who is expected to retain around a 30 per cent stake in the group after flotation, said yesterday that the new money raised "will enable the company to continue to enlarge and develop our UK properties and to take advantage of the opportunities which exist in current market conditions".

Chelsfield will come to market with a portfolio of wholly-owned UK properties with a total value of about £250m and annual rental income of about £19m – sufficient to cover existing overheads, interest costs and forecast dividends.

The group's UK portfolio is notable for the number of income-producing properties, particularly in central London, with refurbishment and development potential.

In addition the group holds interests in a business park near Heathrow.

Outside the UK Chelsfield's interests include a 50:50 US joint venture with P&O, Laing Properties which owns 6,700 garden apartments in the south east of the US. Laing itself is expected to be floated as a property investment trust early next year.

The issue is sponsored by Hambros Bank and stockbrokers *Zoete & Bevan* and the issue price, which will be based on an existing net asset value of 165p per share, is due to be announced on December 9.

The Markets this week

Starting on page 19

PETER MARTIN:
GLOBAL INVESTOR

Japan's financial markets will have more economic statistics to absorb next week, but the forces driving share prices down owe as much to psychology and politics as to economics. Meanwhile, in Europe, investors' eyes are turning to smaller stocks. Page 19

PETER NORMAN:
ECONOMICS NOTEBOOK

When Kenneth Clarke presents his Budget tomorrow, some of his decisions will be based on doubtful statistics or even flawed. Page 19

Bonds:
The floating rate note market, which has enjoyed a spectacular recovery over the last two years, is expected to flourish further in 1994. Page 22

Equities:
Much of last week's improvement in London was rooted in a shift from caution to confidence in the derivatives markets. But will the upturn continue? Page 20

Emerging markets:
Chile is no longer as dynamic as other South American countries, but its market sophistication is unparalleled on the continent. Page 21

Currencies:
Tuesday's surprise half-point cut in UK base rates has seen uncertainty and drama return. Page 29

STATISTICS

Moment of truth looms for Ferruzzi

Bankers and shareholders vote on the largest shake-up in Italian corporate history, writes Haig Simonian

The next 72 hours could be decisive for Italy's Ferruzzi group as bankers and shareholders gather for a string of meetings to determine its future.

The fate of the Ferruzzi Finanziaria (Ferfin) holding company and Montedison, its main industrial arm, goes much further than a tussle over debts. Ferfin and its subsidiaries, which include Edison (energy), Calcestruzzi (cement) and Eridania Béghin-Say (sugar), comprise Italy's second-biggest private company, with more than 52,000 employees and sales of L19,900bn last year.

The rescue package prepared by Mediobanca, the Milan merchant bank, and other big domestic credi*tors is easily the biggest restructuring* in Italian – and probably European – corporate history. Ferfin's net debt is now running at more than L22,600bn ($13.58bn), while group losses last year were L1,667bn.

The decisive meeting will come tonight, when the boards of Ferfin and Montedison gather to assess creditor banks' response to the controversial rescue plan unveiled by Mediobanca in mid-October.

The scheme involves interest moratoriums, restructuring of borrowings and the conversion of debt to equity. A few subsidiaries will be sold, others will go into joint ventures in a package designed to lighten Ferfin's interest burden, prune costs and concentrate on cash-generating subsidiaries.

Gaining the banks' approval remains a cliffhanger, however. Although Ferfin's Italian bank creditors backed the plan early on, foreign *institutions have been less malleable.*

The position of foreign banks may appear marginal, as they account for only a fraction of the group's total borrowings. However, they are in a strong position as their lending is concentrated on a handful of subsidiaries, *such as Montedison, which has* borrowed heavily in the US. Indeed they could scupper the scheme as they account for *almost all the loans* to Montedison's big US-based Himont polyethylene subsidiary, which they could put in default. Together, the foreign banks, which include Barclays, Citibank, Credit Suisse, Deutsche Bank and UBS, are owed L6,500bn.

The past week has brought a détente between Mediobanca and the foreign creditors. An updated plan has removed a number of contentious issues by taking some big US operations, such as Montedison USA and *Himont, out of the restructuring.*

However, observers will only learn tonight whether the changes have proved enough. Foreign bankers have welcomed the changes, but stress that it is impossible to meet the deadline of today.

The stakes are high. Mr Guido Rossi, Ferfin's tough chairman, who was brought in by Italian bank creditors after a *boardroom shake-up* earlier this year, has threatened to instigate bankruptcy proceedings and even to resign if he does not receive the support of banks representing at least 80 per cent of Ferfin's borrowings. The latest Mediobanca letter demands 85 per cent acceptance.

Mr Rossi's challenges are taken with a pinch of salt by foreign bankers, who see the moves as part of the war of wills in recent weeks. But few care to brush off the challenge outright, especially as bankruptcy proceedings in the *slow Italian* courts could drag on for a decade.

If enough banks agree to the plan, shareholders' meetings will be held tomorrow to approve Ferfin's recapitalisation and on Wednesday for Montedison.

For Ferfin, the plan envisages raising L2,932bn via rights issues and warrants to buy new shares. The scheme is partly a book-keeping exercise, as creditor banks will largely be swapping debt for equity. Shareholders will also be asked to approve issuing a further L2,000bn in new shares and *L800bn* in bonds over the next *18* months.

Similar action is in store for Montedison. The rescue plan contains measures to raise L5,172bn, assuming all warrants are exercised. The board will also seek approval to raise a further *L1,000bn* in shares and *L500bn* of bonds over the next 18 months.

Even assuming a last-minute compromise is reached with the foreign creditors and enough banks accept the scheme, many details remain to be clarified.

How Ferfin will pay to maintain a holding in Montedison is one. The Mediobanca plan envisages Ferfin paying L400bn for new shares. The cash will come from its own recapitalisation, and from a partial sale of its stake in Gemina, a big holding company. According to the plan, Ferfin's stake in Montedison will fall from 49 per cent to 30 per cent.

This week: Company news

VOLVO

Renault marriage proposal moves closer to altar

By Hugh Carnegy in Stockholm

The fate of Volvo's controversial plan to marry its car and truck operations to Renault, the state-owned French giant, should be decided this week by a handful of Swedish pension funds and insurance companies.

Although the special shareholders' meeting is not until December 7, the outcome should be clear by the end of the week as key institutions make up their minds which way to vote.

With 30 per cent of the voting capital already in the bag for Volvo, the odds are now in favour of the merger winning approval.

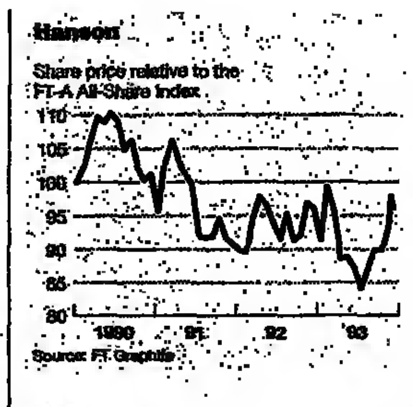
However, a further twist lies in the intention of Aktiespararna, the small shareholders' association, to make a legal challenge on the grounds that the merger requires a change in Volvo's articles of association. Such a change would require a two-thirds majority rather than a simple majority.

Decisions to watch for are from three insurance companies that earlier expressed opposition because of their scepticism over French promises to privatise Renault and the terms *of a subsequent state golden share.*

Trygg-Hansa and SPP, sister insurance companies that hold respectively 1.4 per cent and 4.5 per cent of Volvo's voting capital, are set to announce their verdicts on Thursday and Friday.

Skandia, with 3.7 per cent, is also likely to decide this week. Its chief executive, Mr Björn Wolrath, originally lambasted the Volvo-Renault deal, but is thought to have been mollified by assurances from the French government. Other key voters are the pension and investment funds of Sweden's two leading banks, Scandinaviska Enskilda Banken and Svenska Handelsbanken, which control 13 per cent of the votes.

The power of reason, Page 9



HANSON

Coal strike casts shadow on year

With the US coal strike apparently moving towards a settlement, Hanson may have some good news for its shareholders when it reports annual profits on Thursday.

The strike cost Hanson £29m in the third quarter and could have cost £60m-£80m in the fourth, to the end of September, so the total could be £100m for the year. Investors are keen to see a settlement, the only question is what concessions the coal producers will have had to give.

The market is also hoping for a dividend increase, although forecasts are for a fall in pre-tax profits from £1.29bn (FRS3 basis) in 1992 to £1.05bn-£1.07bn, and around £50m less excluding disposal profits. Hanson pays its dividends quarterly, and has paid 2.85p for each of the last four payments. Some feel an increase is due, perhaps to as much as 3p.

Another concern is the level of gearing following the $3.2bn (£2.1bn) purchase of Quantum Chemical, which went through on the last day of the financial year. Gearing could top 80 per cent, depending on provisions and asset revaluations. This explains Hanson's disposals drive. After last week's two deals worth £186m, there may be more news.

Investors may also look for hints on management succession following the promotion of Mr Derek Bonham, chief executive, to deputy chairman.

OTHER COMPANIES

Dresdner to keep up banking momentum

If there is one sector which is apparently able to defy the deep German recession, it is banking. This was proved last week when Commerzbank, the smallest of the big three, reported operating profits – after provisions for bad and doubtful debts – up 52 per cent in the first 10 months.

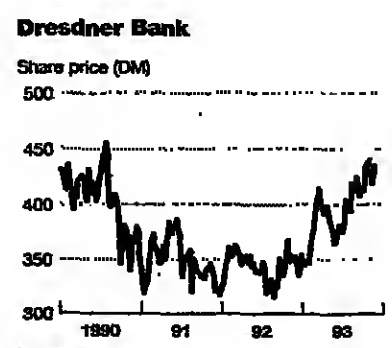
Dresdner Bank, the second biggest, reports its figures on Thursday. Like Commerzbank, it will benefit from buoyant securities markets, but analysts will focus their attention not so much on the absolute level of profits but on provisioning against sharply increased domestic credit risks.

■ **Life Insurance:** Japan's eight leading companies in this sector release their half-year results today. The industry is going through a period of tough trading. Sales of insurance policies and personal pensions slipped last year.

■ **Thyssen:** The big German steel, trading and engineering group announces annual results this week – possibly Tuesday – amid rumours that it is about to pass its dividend. Weighed down by weak steel trading, Thyssen made a pre-tax loss of DM515m ($300m) in the first half.

■ **ABSA:** South Africa's biggest banking and financial group is expected to show strong first-half growth at the operating level when it reports on Tuesday.

■ **Bass:** The UK brewing, hotels and retail group is expected to report on Wednesday *a 5 per cent increase in* full-year pre-tax profits to about £495m. Brewing profits are likely to be hit.



■ **News Corp:** Today is the deadline for submissions to the Australian Stock Exchange on Robert Murdoch's contentious plan to issue shares with "super" voting rights on a pro rata basis to existing shareholders. The ASX would need to change its listing rules to permit the *News Corp scheme.*

■ **Grand Metropolitan:** A £175m ($260m) restructuring charge will reduce pre-tax profits for the year from £913m to about £770m. However, Thursday's announcement is expected to reveal a brighter picture at the trading level, including the IDV spirits division, Burger King and North American food operations.

■ **Potential investors in Credito Italiano,** Italy's first big bank privatisation, will learn on Saturday, the pricing for the deal. Iri, the state holding company, is selling most of its 67 per cent holding of ordinary shares.

Companies in this issue

Dutch publisher pulls out of battle for Extel

By Paul Taylor

VNU, the Dutch publishing group, has dropped out of the bid battle to take over London-based Extel Financial, the on-line financial information service company put up for sale two months ago by its owners, United Newspapers.

VNU had submitted an "indicative" bid for Extel last month and was believed to be one of the front-runners. But Mr Joep Brentjens, VNU's chairman, told Amsterdam's Het Financieele Dagblad newspaper that United Newspapers' asking price was too high.

Mr Brentjens said VNU recently broke off talks with United Newspapers, but he declined to reveal the asking price. Dutch newspapers had put VNU's offer at about Fl 195m (£68.6m).

"We were very interested in a part of Extel, company information, but the other activities were less suitable for VNU," Mr Brentjens was quoted as saying.

VNU is best known as a publisher of consumer and professional magazines, but it also owns minority stakes in the Dutch television station RTL4 and operates several on-line financial and professional information services in the US, some of which are similar to the services provided by Extel Financial.

Many of the world's largest information providers have expressed interest in buying the 121-year old organisation and about 40 potential suitors are thought to have approached Veronis Suhler, the US investment bank managing the auction.

Other bidders known to have expressed an interest in the past include FT Profile, the on-line information service owned by the Financial Times, and Standard & Poor's, the international credit rating agency.

However, Reuters, the global information company, ruled itself out as a potential bidder at an early stage.

Extel Financial made an estimated profit of about £5m on sales of £33m last year, but soaked up £6m in investment in technology. United Newspapers is expected to use the proceeds from the sale to reduce borrowings.

Administrators draft a concluding chapter

Andrew Jack on the final stages of the long drawn out sale of most of the Maxwell businesses

There may be a long epilogue to come, but the administrators to Maxwell Communication Corporation are drafting a concluding chapter to their magnum opus following the sale of most of the businesses in the public empire of the late Mr Robert Maxwell.

Creditors to MCC may be able to receive much of the benefit through a dividend early in the new year, as the proceeds of the sale of the group's principal businesses in the US trickle through.

Accountants at Price Waterhouse and their advisers will still need perhaps as long as a decade to finish tracing assets, pursue litigation and unravel in the most efficient manner a network of 400 MCC companies.

But substantial realisations to creditors will come shortly from the sales of Official Airline Guide (OAG) to Reed Elsevier in September for £417m, and of Macmillan to Paramount Communications earlier this month for $552.75m (£371m).

Still outstanding in both cases is the "pre-packaged" Chapter 11 exit under US insolvency law which will permit completion of the sale of the companies. That requires expiry of the "bar date" on new claims against the Maxwell businesses from creditors who are not yet identified. For both OAG and Macmillan, these will have expired in the next few weeks.

Mr Mark Homan, one of the joint administrators and head of insolvency at Price Waterhouse in London, is confident that his team has done all it can to find any outstanding liabilities. "We have identified what the books reveal; heaven knows what they don't show," he says.

The presence of a "bar date" beyond which no new claims will be admitted is one of the advantages Mr Homan will concede of US over English insolvency law – where the position is more ambiguous. Another is the presence of a specialist US bankruptcy court, which he says has helped the speed of the process.

Against that, the administrators have been forced into a very delicate and unprecedented process of negotiating a path between the sometimes contradictory procedures of the two jurisdictions – the result of MCC's directors filing for protection in New York at the same time as the group entered administration in London.

If there are no new claims before the bar dates, Mr Homan says: "That will leave us free to upstream the money."

The proceeds will then pass through two intermediate holding companies before being repatriated to the MCC parent for a distribution.

There are still issues to be finalised over the tax bills on the sales. The administrators need to take care to ensure they do not liquidate any companies in the MCC network before taking full advantage of offsetting any proceeds against tax losses elsewhere in the group.

Mr Homan says he was happy with the way in which OAG and Macmillan were sold: the former by negotiated settlement as a result of some of the technical and regulatory difficulties involved; the latter by sealed bids, which he believes to be highly unusual in a US insolvency. He says Paramount's offer was significantly above the next highest price to "make us feel the process was justified" despite some tensions at the time.

Not all money will go to the unsecured creditors in the group: there are preferential stockholders in OAG to be paid first, for instance, as well as mortgage payments to deal with.

There are also professional fees, which he estimates will finally total 3 per cent of realisations. Including lawyers and bankers, the total will run to £60m or more. "I've had incredible value," he says. "It's unfair to criticise such dedicated professionals."

Some money from sales of tha non-US MCC businesses has been retained to fund existing and future costs. That has included about £100m from some 20 businesses and 40 properties, leaving just a handful of assets left to sell.

In the US, the only significant remaining asset is Standard Rate & Data, the advertising industry information service. It remains, because it might have been sold with OAG, since they share a common computer system. In the event, Reed did not want to buy the company, so it is being marketed separately. It is likely to raise somewhere in the $80m-$100m range. A few more millions will come from some companies which could have been sold with Macmillan, such as the Advertising Black Book.

Any remaining proceeds for creditors will come from claims against third parties. Mr Homan is reluctant to be drawn on the subject, but says: "We are considering a claim against the auditors" – Coopers & Lybrand. There may also be legal action against other professional advisers, and insurance companies reluctant to pay up.

In addition, Mr Homan says cryptically that he is considering actions to recover "not trivial sums" from creditors who may have gained an unfair advantage above others by transferring assets at undervalue or obtaining undue preferences.

He says that there may be recoveries in the "high tens of millions" as a result of investigations work into tracing money illegally removed from the group.

The administrators are still running a 1,000-line computer programme to help determine the value and timing of dividend payments. There may be an intermediate one in January, or a single larger sum in March once the US bankruptcy proceedings are complete.

On current estimates of realisations, it is believed that the total is likely to be around 40p in the pound, towards the upper end of the 22p-43p range quoted earlier this year before an additional 9p from the proceeds of any successful litigation.

Meanwhile, Mr Homan is beginning to reflect on the wider lessons to be learnt from the administration, not least of which is his concern at arbitrageurs who have traded about half of MCC's debt since its collapse.

He says they often pester his staff in a hungry search for information which it may not be in the best interests of creditors to reveal.

Since they keep changing, it is difficult to keep them informed. He also argues that their interests are fundamentally divergent from other creditors – often favouring break-up to reconstruction of a business.

NEWS DIGEST

Dart ahead 30% in first half

Dart Group, the aviation services and distribution concern, made progress in the six months to September 30 with pre-tax profits up 30 per cent from £965,000 to £1.25m. Turnover rose 27 per cent to £27m.

Mr Philip Meeson, chairman, said that although margins remained tight, increasingly more business was being won throughout the group. This, coupled with continued attention to costs and overheads, was enabling a resumption of profit growth.

Trading in the second half continued to be satisfactory.

Earnings per share increased from 4.4p to 5.8p, while an unchanged interim dividend of 1.3p is declared.

Mr Grant Westcott has been appointed finance director with effect from September 22 1993.

Cambridge Water

Mr Peter Shaw, chairman of Cambridge Water, said that water resources, much depleted in the four year "drought", had now recovered to near-average levels.

The statutory water company announced profits ahead to £1.77m pre-tax for the six months to September 30, against £1.69m last time. Turnover improved to £7.63m (£7.23m).

Mr Shaw said that the rate of new connections was slightly higher than in the last two years.

Earnings per £1 share worked through at 394p (410p); the interim dividend goes up 10p to 65p.

Scottish Inv Trust

Scottish Investment Trust lifted its net asset value per share by 29 per cent – from 217.2p to a record 280p – over the 12 months to October 31.

The independently-managed international trust saw net revenue improve by 14 per cent to £14.1m (£12.4m). After the preference dividend, earnings per stock unit emerged at 5.48p (4.82p).

The recommended final dividend goes up to 3.2p, bringing the total to 4.9p (4.62p).

Fulcrum Inv Trust

Net asset value per capital share of Fulcrum Investment Trust stood at 63.12p at the half year ended October 31, against 48.11p six months earlier and 34.04p for the comparable period.

However, because of a refinancing which was completed at the end of June last year, and two new loan facilities in sterling and dollars which were agreed before the period end, last year's figures were not comparable.

Net revenue amounted to £497,467 for earnings per income share of 4.43p. A second interim dividend of 1.4p makes a total for the year to date of 2.8p.

Fidelity European

Fidelity European Values, an investment trust, is attempting to raise £17.6m via a conditional placing of new shares and warrants.

Offer units are being placed at 170p each, with existing shareholders having the right to apply for five offer units for every 24 ordinary shares and/or warrants they own.

The trust also plans to issue a further £4.4m of index-linked debentures to keep the trust at the 25 per cent gearing level it had at launch in November 1991.

● Meanwhile, Johnson Fry has raised £42m for its second utilities investment trust. Applications for income shares have been accepted in full. For the zero dividend preference shares, applications for up to 100,000 shares have been accepted in full; larger applications have been scaled back.

Stagecoach pays £9m for Western Travel

By Charles Batchelor, Transport Correspondent

Stagecoach, the operator of regional bus services, is to buy Western Travel, another bus company, for £9.25m, in a deal which brings to three the number of acquisitions since Stagecoach was floated in April.

To finance the purchase, Stagecoach will issue 3m new shares valued at £4.75m, £4m worth of loan notes and pay £500,000 in cash. In addition it will lend Western Travel £2.1m to part-finance the payment of a special dividend of £4.5m to the vendors.

Western Travel made a pretax profit of £1.86m on turnover of £33.9m in 1992. It had net assets of £6.5m at that date. The company operates 650 buses and employs 1,700 people.

Western Travel takes Stagecoach, which is based in Perth, into three new geographical areas.

Its C&G subsidiary operates in Cheltenham, Gloucester, Swindon and Stroud; Midland Red (South) is in Warwickshire and north Oxfordshire, while Red and White Services operates in rural South Wales.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Deutsche Bank (Germany)	Banca Popolare di Lecco (Italy)	Banking	£186m	Buying controlling stake
Grupo Synkro (Mexico)	Kayser-Roth (US)	Hosiery	£156.4m	Continues Mexican buying abroad
Willcox & Gibbs (US)	Unit of BTR (UK)	Wholesale distribution	£80.5m	BTR concentrating resources
Wheatley TXT (US)	Unit of Hanson (UK/US)	Oil equipment	£56m	Begins peripheral disposals..
Corporate Express (US)	Unit of Hanson (UK/US)	Stationary	£110m	..in debt cutting drive
P&O (UK)/Swire Pacific (Hong Kong)	Shekou Container Port (China)	Materials handling	£54m	Each to take 25%
Gaz de France (France)	Noverco (Canada)	Gas distribution	£50.5m	Taking 24% stake
Pepsico (US)	Kentucky Fried Chicken (UK)	Catering	est £40m	Buying out Forte
Citic Pacific (China)	Swire Aviation (HK)	Air cargo	£10.1m	China's HK expansion continues
Siemens (Germany)	Interautomatika (Russia)	Engineering	n/a	Taking 31% stake

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price (£/MWh)	Final Prices for Trading on [illegible]: Pool purchase price (£/MWh)	Final Prices: Pool selling price (£/MWh)
0030	18.25	16.64	18.54
0100	32.34	44.58	47.83
0130	33.00	44.58	47.83
0200	33.00	44.58	47.83
0230	22.96	30.68	33.94
0300	22.96	30.68	33.94
0330	22.96	21.28	24.63
0400	21.99	20.89	24.14
0430	20.88	20.49	23.74
0500	20.88	20.44	23.69
0530	21.36	18.04	18.04
0600	20.73	18.05	18.05
0630	20.73	18.05	18.03
0700	20.73	18.03	18.03
0730	20.73	18.02	18.02
0800	20.73	18.02	18.02
0830	21.48	18.02	18.02
0900	21.38	18.05	18.05
0930	20.73	31.09	24.33
1000	21.78	22.77	26.02
1030	21.75	26.10	29.65
1100	21.75	27.95	31.20
1130	24.92	28.50	31.75
1200	27.05	31.75	35.00
1230	31.10	31.75	35.00
1300	31.10	31.75	35.00
1330	31.10	31.75	35.00
1400	23.04	28.50	31.75
1430	18.24	18.54	18.54
1500	18.22	18.11	18.11
1530	18.18	18.05	18.05
1600	18.26	18.06	18.06
1630	23.04	18.07	18.07
1700	27.11	28.18	31.43
1730	31.10	30.36	33.63
1800	31.10	30.38	33.63
1830	31.10	30.38	33.63
1900	29.96	30.38	33.63
1930	27.11	30.38	33.63
2000	25.05	27.97	31.22
2030	24.75	27.07	31.22
2100	23.04	26.52	29.77
2130	22.52	26.10	29.35
2200	22.52	26.10	29.35
2230	18.34	26.29	28.58
2300	18.21	18.18	18.18
2330	18.08	18.07	18.07
2400	18.08	18.07	18.07

Prices are determined for every half-hour in each ... [illegible] ... Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price (£/MWh)	Final Prices for Trading on [illegible]: Pool purchase price (£/MWh)	Final Prices: Pool selling price (£/MWh)
0030	18.26	19.07	19.07
0100	22.52	21.36	23.86
0130	26.26	25.28	27.78
0200	26.26	25.28	27.78
0230	26.25	25.28	27.78
0300	26.25	25.28	27.78
0330	22.52	25.26	27.78
0400	21.84	18.18	18.18
0430	18.22	18.06	18.06
0500	18.11	18.05	18.05
0530	23.25	18.06	18.06
0600	23.25	18.05	18.05
0630	23.25	18.05	18.03
0700	23.61	24.96	27.48
0730	24.55	26.06	27.58
0800	24.06	26.40	27.90
0830	24.00	27.34	29.85
0900	25.00	28.58	31.07
0930	25.01	31.13	33.08
1000	26.05	36.04	38.54
1030	26.06	36.04	38.54
1100	26.06	36.04	38.54
1130	26.10	28.86	31.95
1200	31.22	29.92	32.42
1230	31.22	29.92	32.42
1300	28.11	29.92	32.42
1330	26.07	27.45	29.95
1400	26.05	27.02	29.51
1430	26.04	27.02	29.51
1500	26.06	19.92	19.92
1530	26.06	19.30	19.30
1600	27.18	27.02	29.52
1630	43.55	27.57	30.15
1700	50.75	44.59	48.18
1730	60.58	47.17	50.79
1800	50.75	47.11	50.71
1830	34.82	42.01	44.86
1900	26.97	34.77	37.29
1930	26.77	29.20	31.71
2000	25.51	27.79	30.28
2030	24.53	27.75	30.26
2100	24.53	27.71	30.21
2130	24.53	27.71	30.21
2200	23.79	27.71	30.21
2230	23.79	24.96	27.48
2300	23.79	24.90	27.40
2330	18.18	21.91	24.41
2400	18.18	18.46	18.46

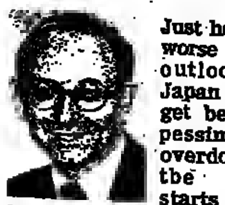
Prices are determined for every half-hour in each ... [illegible] ... Energy Settlements and Information Services Limited

The Markets

THIS WEEK

Global Investor / Peter Martin

Why Japan isn't a bargain – yet



Just how much worse does the outlook for Japan have to get before the pessimism is overdone and tbe country starts to look like a bargain?

The economic statistics due out this week – unemployment, car registrations, maybe third-quarter GDP – will provide one answer. But there is also a simpler, more cynical answer: it depends on when the government starts buying. The ferocious bear squeeze of summer 1992, instigated to prop up the banking system and burn the fingers of westerners who believed the market had further to fall, shows just how rapidly the stock market can move when the government is determined to push it upwards. Then, the Nikkei index went from about 14,800 to nearly 19,000 in a matter of weeks.

In the past month, the Nikkei has fallen almost as fast as it rose then. It closed on Friday at 16,726.4, only 17 per cent higher than its low point of August 1992.

The speed of the decline owes something to the decision to replace the 225-share index with a more modern Nikkei 300, a move intended to make it harder to manipulata tha index by dealing in the illiquid stocks that formed a high proportion of its contents. With no reason to hold these stocks, their price has plunged, driving the index down faster.

Still, that is only part of the story. The broader Topix index has also fallen – down 15 per cent in the past month – a reflection of the crisis of confidence that has engulfed the Japanese markets as it has become clear that the economy has taken a further downward turn.

The underlying economy is certainly suffering: JP Morgan is forecasting continuing contraction in the Japanese economy until midway through next year and no better than sluggish growth until at least the end of 1995. Corporate profits continue to slida. Falling share prices should make companies look cheap, but the drop in profits keeps price/earnings ratios at levels well above those in other developed countries. Though companies continue to stress the need for cost cuts, they have not yet ambarked on wholesale restructuring.

From that point of view, Japan does not yet look like a bargain. Still, perceptions could change rapidly if the market started to move decisively upwards, under the stimulus of sustained government-led buying. So when will the government intervane? And will it work as well this time as it did in 1992?

There are two possible reasons why the government has held back from propping up the market. One is that it sees no need to as yet: though the Nikkei is within striking distance of its 1992 lows, the Topix index is still comfortably above them; it would need to fall another 22 per cent before it entered last year's danger zone. And last year's intervention had a specific purpose: to prop up the banks by preserving the value of their big holdings of securities. For most of this year, with their Basle capital-adequacy ratios safely met, fear about the banks has lessened. Perhaps a resurgence of concern abont the banks, intensified by last week's poor results, will again produce a desire to prop them up.

The second possible reason for the government's failure to encourage stock market support may well be more significant: political paralysis. The new coalition government may not share the belief of its predecessors in intervention to prop up financial markets; or tensions between the bureaucrats and their new political masters may be preventing decisive action.

If the policy log-jam breaks, government-inspired buying will probably be able to generate a new rally. As last year, this could be very substantial, especially if it coincides with further easing of monetary policy and a fresh commitment to stimulatory fiscal policy in 1994.

It will prove no more sustainable than last year's stock market recovery, however, until there are clear signs of a double Japanese restructuring: a shift of the economy towards deregulation and domestic consumption; and a shift on the part of companies towards profits rather than revenue growth.

One important imminent test of tbe first of those restructurings will be public reaction to the secret deal to open part of the rice market to imports, to be announced – so Japanese newspapers were saying over the weekend – around December 10.

■ Trend

Two indicators that financial markets are starting to get above themselves: a brand-new Ferrari being delivered to an address in the City of London earlier this month; and the comment of a Swiss banker last week. "People are getting greedy," he said. The investment managers who work for him "think tbey are heroes, when all they are doing is following a trend."

■ Indicators

The Bundesbank meets on Thursday, accompanied by a clutch of economic indicators – German unemployment figures, manufacturing output, and new orders. The year ahead is stuffed with German elections: including local, regional, European parliament, presidential and federal parliament elections, there are 20 due in 1994. Add this much political uncertainty to the growing belief that 1994 could be a year of further economic contraction, and further cuts in German interest rates seem inevitable.

Traditionally, Germany only starts to emerge from recession when the yield curve is positively sloped – that is, when short-term interest rates are lower tban long-term ones. Short-term rates are currently at 6¼ per cent, and long-term rates are nearly balf a point lower. So, no recovery in sight yet.

Will it take a recovery in the German economy to push smaller European stocks ahead of their larger counterparts? As the chart shows, the relative outperformance of smaller and medium-sized European shares ended at the beginning of 1992 and has yet to reappear. The chart is slightly misleading, however: second-tier British stocks have outperformed their blue-chip rivals, an effect masked by the relative underperformance of smaller companies on the continent. The German industrial production and manufacturing output numbers, due out towards the end of the week, will give an indication of bow Germany's export-oriented manufacturing heartland is doing. Though the biggest German companies are making heavy weather of their restructuring, their smaller compatriots do not face tbe same political scrutiny and have far less opportunity to delay the moment of decision. If second-tier German businesses are indeed responding urgently to the economic pressures tbey face, tbeir share prices will in time start to respond.

■ Evidence

From an international investor's viewpoint, the contents of Kenneth Clarke's UK Budget this week are probably of less importance than tbe growing evidence that the Bank of England is acquiring a flavour of autonomy. A truly independent central bank becomes so because of the attitudes and expectations of its leaders, the political classes and the electorate, not because of the nominal powers entrusted to it by law. It is not clear what the electorate thinks, but the new team at the Bank obviously believes independence is a state of mind – and the politicians are willing to give them some room to exercise it.

■ Deficit

A country with a truly independent central bank – Switzerland – is at last about to see a return to its traditional low inflation. Though Swiss inflation was still around 3½ per cent in October, the November figure should drop to around 2½ per cent aud, says Hans Kaufman of Bank Julius Bär in Zurich, it will drop below 1½ per cent next year.

The growing goverument deficit has created a peculiar situation: the government bond issue is yielding 4.14 per cent, while the average yield on issues from private-sector Swiss corporations is only 4.12 per cent.

That unfavourable spread belps explain the need for Switzerland's new VAT, approved by the voters yesterday. The shift from a sales tax will help exporters, such as the pharmaceuticals and engineering companies, and burt service businesses, including the banks, which will now have to charge VAT on their portfolio management services.

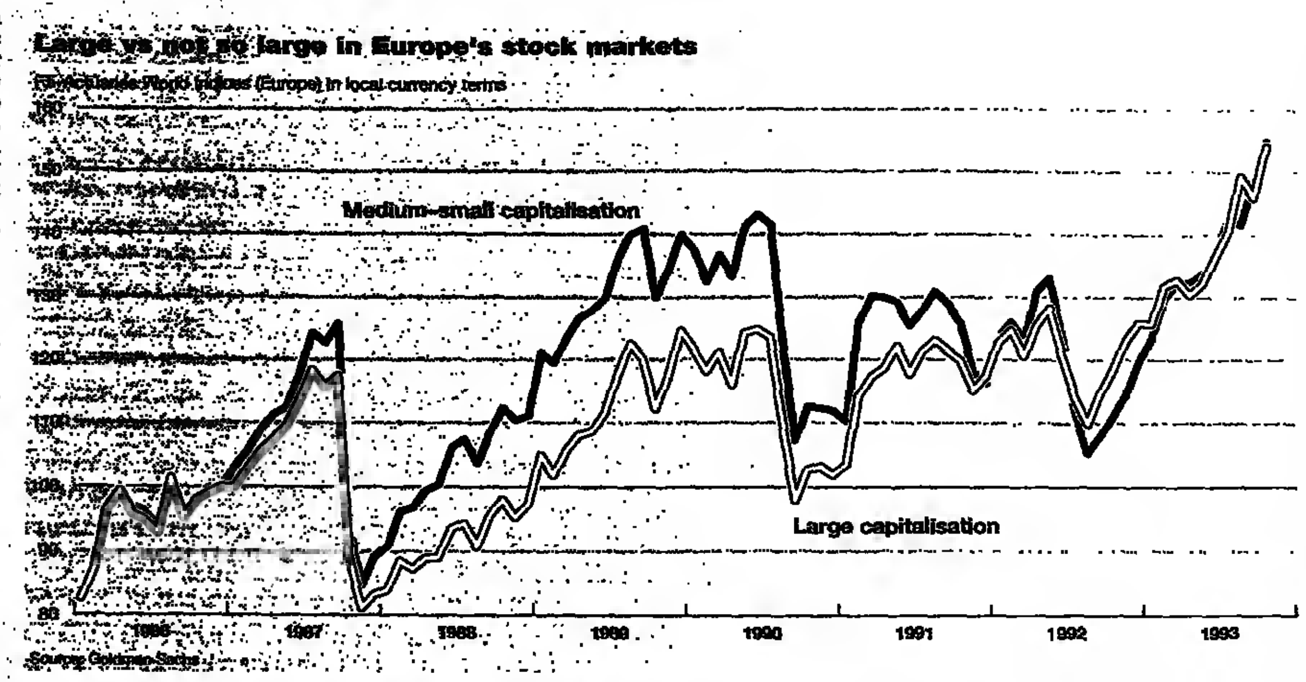
Total return in local currency to 25/11/93

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.05	0.12	0.13	0.17	0.11
Month	0.27	0.21	0.55	0.57	0.73	0.49
Year	4.00	3.59	7.69	8.94	13.44	6.69
Bonds 3-5 year						
Week	-0.18	0.87	0.08	-0.20	-1.10	-0.10
Month	-0.69	1.45	1.01	0.32	-1.62	0.73
Year	9.75	10.82	12.94	16.73	24.74	11.89
Bonds 7-10 year						
Week	-0.98	0.42	-0.27	-0.29	-2.30	0.59
Month	-1.93	1.57	0.43	-0.37	-3.06	0.76
Year	13.76	13.02	16.51	22.23	32.38	17.41
Equities						
Week	-0.3	-5.1	-1.8	-1.2	-2.0	-0.8
Month	-0.3	-11.1	-1.1	-3.6	-10.3	-2.5
Year	10.2	15.5	37.1	30.6	32.5	21.3

Best performing stocks from FT-A World Indices in local currency to 25/11/93

		% change		
	Close	Week	Month	Year
Bandar Raya Dev. (Mal)	3.64	40.0	68.5	154.5
Moderna 'A' (Mex)	18.10	25.6	27.2	n.a.
Multi-Purpose Hlds (Mal)	6.35	21.0	15.5	137.6
Kelenamas Ind (Mal)	10.40	20.9	39.6	136.4
Chinese Estates (HK)	6.40	19.4	20.6	132.4
US Shoes (USA)	14.88	19.2	34.1	15.7
Daishowa Paper (Jap)	1170.00	17.0	-33.1	-31.6
Far East Levingstone (Sin)	7.20	14.3	4.3	159.0
Tasman Properties (NZ)	0.08	12.5	12.5	-10.0
Coca-Cola Bev. (Can)	5.75	12.2	30.7	71.6

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.



Economics Notebook / Peter Norman

Clarke's first Budget looms out of statistical fog

The one near certainty about tomorrow's Budget is that Kenneth Clarke will put on a confident performance. The chancellor is an effective parliamentarian who relishes his appearances at the despatch box.

It is equally certain that his confidence will be based on statistics which in some cases are of doubtful reliability and in others are simply unsound.

Official figures suggest that Britain is experiencing an unusually steady if unspectacular recovery. But key numbers on trade, industrial production and national output could be concealing a different picture.

This year has been especially difficult because the introduction of the European single market has turned the figures on visible trade from one of the most to the about least reliable indicator.

In October, for example, the Central Statistical Office judged that Britain's visible trade deficit had been widening for some time. A month later, its view was that the trend had been narrowing.

However, the chancellor also has problems knowing what is happening at home. The accompanying graphs from this month's Bank of England bulletin show that the official perception of the shape of Britain's recovery has changed substantially since Mr Clarke began Budget preparations.

Britain appeared in tha summer to be having an ideal recovery, led by strong growth in manufacturing output that held out hopes of a greater sbare of national prodnction going into exports and investment. The recovery now seems more akin to previous British upturns based on consumer demand and growth in services.

According to the Bank, manufacturing output grew in real terms by about 1.5 per cent in tha first half of this year compared with an earlier estimate of 2.7 per cent. Meanwhile service sector output, which accounts for 63 per cent of gross domestic product, is back above its recent peak of early 1990. Earlier statistics suggested it was half a per cent below.

The changing shape of the recovary partly reflects changes in the price deflators used to calculate the volume growth of exports and output.

Statisticians, when they calculate the important volume indices that guide our understanding of the way an economy is developing, do not count every unit of output. Instead they take figures for the value of industrial production, retail sales and gross domestic product and deflate them by what they believe to be the right prices.

The Bank believes the export price figures may have been overestimated. The latest figures, showing an average 10 per cent year-on-year jump in export prices to world markets and a 12 per cent rise to non-EC countries, are high in the light of past experience of sterling devaluations when export prices rose by only about half the extent of the pound's depreciation.

If the Bank is right, the bottom graph becomes less puzzling. It shows that Britain's exports as a share of domestic demand in the European Union have fallen sharply since the beginning of this year.

This is difficult to explain, as exporters seem to be building up market share outside the EU and etill enjoy some improvement in price competitiveness following sterling's exit from the European exchange rate mechanism in September 1992.

If export prices have risen less than the CSO figures suggest, manufacturing output and gross domestic product will have been higher than officially recorded.

There are also some doubts about domestic prices of mannfactured goods. The Confederation of British Industry says official figures exaggerate the rise in manufactured goods prices for the home market because they fail to reflect discounting by factories.

Recent UK third quarter figures, showing falling unemployment, rising productivity and stagnant manufacturing output, are difficult to reconcile and could lend support to the idea that output is being under-recorded.

One explanation of the relatively feeble growth of UK manufacturing output in recent years may be sub-contracting by companies of activities that are not central to their main line of business.

The provision of a factory's meals by outside caterers rather than workshop canteens would, for example, lead to a fall in recorded industrial production and an increase in UK service sector output.

Such a trend may be part of a bigger problem of official statistics failing to reflect the growth and complexity of the service sector that is affecting the industrialised economies in general. It has been highlighted in a new book, "Statistics for the 21st Century"*, co-authored by Mr Joseph Duncan, the chief economist and statistician of Dun & Bradstreet, the US business information gronp.

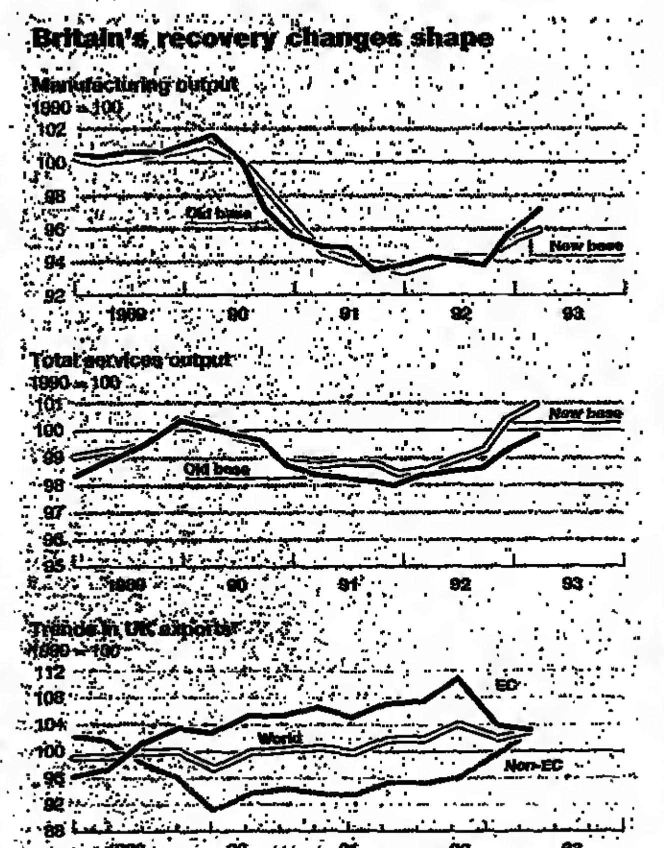
Mr Duncan points out that the basic data collected to measure economic and social progress have remained essentially unchanged in spite of dramatic changes in business practices and the international economy in recent years.

"Nobody would try to launch today's space shuttle using a set of instruments developed for the old DC-3 aircraft", he says. Yet he contends thet governments, businesses and individuals are measuring and managing the economy in this way.

The doubts surrounding UK statistics this year may have a silvar lining for Mr Clarka: there is a possibility that Britain has been growing at a faster rate than official indicators suggest.

But no-one can be content if Britain and other industrial counties are basing economic decisions of importance for the next century on statistical methods developed at the time of the DC-3.

From Dun & Bradstreet, Economic Analysis Dept, PO Box 3938, New York, NY 10163-3938. $14.95.



EQUITY MARKETS: This Week

NEW YORK — Richard Waters

Unanswered questions in energy sector

The share prices of the big energy companies could defy a falling oil price for only so long.

However, Friday's knee-jerk stock market reaction to last week's Opec meeting, which saw all the big US oil groups marked down, left two questions unanswered: which companies will come through the downturn the strongest, and has the stock market now factored in a sustained slump in the price of oil?

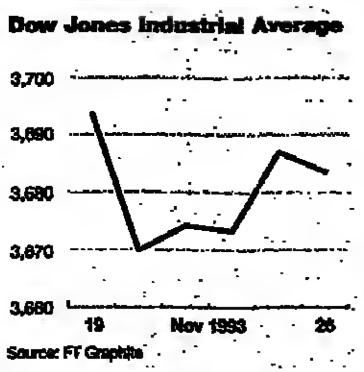
The companies likely to do best are those that are least exposed to the US, and those which have the biggest downstream (refining and marketing) operations, says Mr Constantine Fliakos, an analyst at Merrill Lynch.

Profits from non-US operations tend to hold up better because in some countries (such as Nigeria) oil companies trade on fixed margins, whatever the price. Also, higher production taxes outside the US leave foreign taxpayers picking up a higher proportion of any oil price fall.

Integrated oil companies, meanwhile, can recover in higher downstream margins some of what they lose in lower upstream profits. It is difficult to predict how much downstream operations will benefit from lower prices.

If the oil companies were unable to recover any of the oil price fall through higher downstream margins, a $1 drop in the price of a barrel of oil would take between 6 per cent and 7 per cent off the net income of Exxon or Royal Dutch/Shell, compared with a 14-15 per cent hit to British Petroleum or Texaco, estimates Mr Fliakos.

Dow Jones Industrial Average



Source: FT Graphite

Last week's share price movements seem to reflect a belief that the oil price will rebound again.

"If you thought this price was going to hold for the long term, you would mark the sector down a lot more," says Barclays de Zoete Wedd in London.

Mr Fliakos at Merrill, meanwhile, does not believe oil stocks have hit bottom yet.

"I would like to see some more damage done before I upgrade them again." Another 10 per cent off share prices would do, he says.

The US Christmas shopping season got off to its official start last Friday – the day after Thanksgiving – with market expectations high for a solid, if not a bumper, year for most retailers. The retail stocks have already benefited from signs of stronger consumer demand during the third quarter.

Also, analysts do not want to repeat their mistakes of last year, when most were unprepared for the sharp post-election rise in spending at Christmas.

Mr Ed Johnson, at brokers Lynch Jones & Ryan, says he is conservative in predicting a rise in sales of between 9 per cent and 10 per cent over last year.

The market will be watching the behaviour of shoppers carefully to see if expectations such as these are being fulfilled.

LONDON — Terry Byland

A modest shift from caution to confidence

The London stock market is moving into its first autumn Budget week in a mood which turned confident last week, on the surface at least. The FT-SE 100 Share Index regained the 3,100 mark as the market made a belated response to the unexpected cut in UK base rates, and to the better news on the domestic economy and inflation trends.

Much of the improvement was rooted in the derivatives markets, where a very modest shift from caution to confidence was enough to propel the December contract sharply upwards.

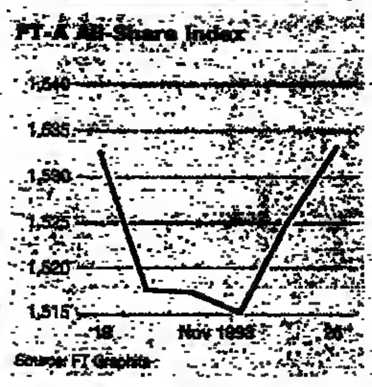
Traders believe the new money was coming mainly from overseas funds, for which the Footsie future is but one of a range of global investment opportunities. There may have been some contribution from the newly-established Lloyds investment funds.

Traders believe that one overseas fund was putting about £250m into UK equities via derivatives last week. If the new Lloyds funds are indeed active in UK equities, then a further £800m or so could be in the offing.

The question this morning will be whether the upturn in the futures continues. The December contract has established itself as a highly liquid and tradeable instrument for investors in a hurry, but this has a downside potential: money can become money out very quickly.

Technical pressures played a part in futures at the end of last week. UK funds, and marketmaking firms, had been inclined to take defensive stances ahead of the Budget. The appearance of buyers for the futures caught the locals, or independent traders, on the wrong foot, and their efforts to buy ahead of the trend merely drove prices yet higher.

FT-A All-Share Index



Source: FT Graphite

All hinges on whether the optimists continue to direct the equity market. With the Budget rate cut now pre-empted, the UK fund managers have braced themselves for an uncomfortable Budget, incorporating perhaps £3bn in tax rises.

These domestic institutions did not show much sign of changing their minds last week. Now that there are fears that the Budget may bear down on consumers, fund managers were beginning to focus on protecting the paper profits achieved earlier in the year in these sectors.

The run-up to the first of the unified Budget speeches has been characterised by an unwillingness by investors to take up speculative positions. The Budget could affect a wide range of investment possibilities for investors' liking: advance corporation tax, VAT, excise duties, mira, personal pension schemes.

It's better to lie low, think the managers, and wait for base rates to be cut again after Mr Kenneth Clarke has returned to his lair.

None of this has discouraged UK equity strategists from their relatively favourable year-end predictions on the market.

This week could be make or break time for forecasts that the Footsie will close around 3,200 this year, let alone for those still adding 300 points on to that figure.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	Over 12 months	Since Jan 1	12 month: High		Low		1993: High		Low	
FT-SE 100	3,111.4	+0.1	+13.5	+9.3	3,199.0	22/10/93	2,716.20	11/12/92	3,199.0	22/10/93	2,737.8	19/1/93
Dow Jones Ind.	3,683.95	-0.3	+12.8	+11.6	3,710.77	16/11/93	3,241.95	20/1/93	3,710.77	16/11/93	3,241.95	20/1/93
Nikkei	16,726.37	-6.8	-4.3	-1.2	21,148.11	13/9/93	16,287.45	25/1/93	21,148.11	13/9/93	16,287.45	25/1/93
Dax	2,047.24	-1.4	+34.4	+32.5	2,095.58	2/11/93	1,469.75	14/12/92	2,095.58	2/11/93	1,516.50	13/1/93
CAC 40	2,120.62	-1.1	+21.9	+14.1	2,231.88	22/10/93	1,772.21	29/1/93	2,231.88	22/10/93	1,772.21	29/1/93
Banca Com. Ital.	544.31	-0.5	+22.3	+21.3	632.86	30/8/93	404.25	15/12/92	632.86	30/8/93	446.33	1/1/93

FT Graphite

OTHER MARKETS

Markets will be keeping a wary eye on the European foreign ministers' special Gatt meeting on Thursday. Mr James Cornish of NatWest Securities commented: "As the negotiations move into higher gear, there will be a whole series of special meetings which will probably come out with what looks like bad news. The good news will be saved for the the end of the process."

FRANKFURT

German stock market professionals have been winding clients up ahead of Thursday's Bundesbank meeting which, they say, should bring another cut in interest rates. This should excite more interest in the banks, already in the spotlight as their 10-month results reporting season continues after last week's Commerzbank progress report. Press conferences are scheduled by BHF Bank on Tuesday, and Dresdner and Bayernhypo on Thursday.

MILAN

The market waits for the pricing of the Credito Italiano privatisation due by Saturday. The Ferruzzi and Montedison shareholders meetings on Tuesday and Wednesday are expected to approve the share capital increases and restructuring plans.

AMSTERDAM

Third-quarter results are due on Thursday from ING, the financial services group whose shares soared to a record high early last month after the government sold its near-7 per cent stake.

STOCKHOLM

Nine-month figures come today from Atlas Copco, the tool manufacturing group. UBS is forecasting a 17 per cent rise in pre-tax profits, to SKr875m from last year's SKr751m.

TOKYO

Further technical selling is expected to depress shares ahead of the December 10 settlement for stock futures and options. Although the Bank of Japan last week lowered short-term money market rates, investors will remain wary of further arbitrage selling and margin unwinding unless the government expresses its support for share prices.

MADRID

Tomorrow's final deadline for agreement in the social pact negotiations is expected to remove the uncertainty which has made for a volatile market in recent weeks.

RISK & REWARD

Distinction between hedges and futures becomes blurred

As the distinction between hedge funds and futures funds becomes increasingly blurred, the most successful funds are likely to be those which combine features of both types of investment vehicle.

"It's getting harder and harder to pigeonhole funds under distinct categories such as hedge funds or futures funds," says Ms Nicola Meaden, managing director of Tass Management, which tracks futures funds.

Hedge funds, which combine cash and derivative instruments, lie somewhere in the middle of a continuum between low-leverage, traditional bonds-and-stocks funds and high-leverage derivatives-only futures funds.

Essentially, a hedge fund buys liquid assets – mostly equities, but also bonds, currencies and commodities – and hedges them against adverse market movements by selling derivatives against them. Hedge funds can use complex, speculative trading methods to maximise returns, including using leveraged funds – money borrowed against the value of assets – and hedging techniques, such as short-selling.

Futures funds invest mostly in futures and options in about 60 to 70 product markets internationally. They are mainly financial derivatives such as interest-rate or bond futures, but can include liquid commodities contracts. Futures funds tend to be run by pools of fund managers whose investment decisions are often based on complex quantitative computer models.

Both types of fund can exploit different market conditions with great flexibility. "The beauty is it's irrelevant what happens as we can go long or short in any market," says Mr Gerald Bichunsky, a director at Momentum UK, specialists in active management styles for hedge and futures fund managers. One example of a classic hedge strategy involves buying some Japanese stocks and selling the Nikkei stock index. This has proved to be a successful strategy amid the Nikkei's recent slide.

Most importantly, both types of funds share what Mr Bichunsky calls active investment styles. "People are looking less at asset class and are increasingly focusing on investment style."

While a passive investor might simply seek to track a bond or stock index, an active fund manager will aim to aggressively outperform his benchmark. Thus, the more active the management style, the more powerful the risk-reward profile will be.

However, an important difference remains in the range of instruments in which either fund can invest, with hedge funds able to spread themselves more broadly across cash and derivatives markets and use a more diverse set of strategies and styles.

"Good futures fund managers will move increasingly into cash," leaving less of a distinction between the two types of fund, says a fund manager at a large London-based hedge fund. While some futures funds put on stunning performances this year, they have been outperformed by hedge funds over the long run.

"Thanks to the flexibility of their instruments, the number of long-term consistently-successful hedge fund managers is higher than the number of consistently successful futures fund managers," says Momentum's Mr Bichunsky.

This year's bull run in global stock and bond markets has helped lift hedge funds' performance, and some say these funds may find it harder to make money in cash markets when the rallies ebb.

"We've had a terrific rally in stocks and bonds, but as a hedge fund, what do you do next year?" asks Mr Peter Swete, chairman of Sabre Fund Management.

Conner Middelmann

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)						
Treas 8½pc 1994	100⅞	-.1	2,100	Au5 Fe5	28.6	4871
14½pc 1994‡‡	102⅝	-.2	550	Sd1 Mr1	28.7	1307
Exch 13½pc 1994	103⅜	-.1	1,100	Oc27 Ap27	20.9	1287
Treas 10pc Ln 1994‡‡	102⅞xd	—	1,800	Dd9 Je9	2.11	1284
Exch 12½pc 1994	105⅛	—	1,240	Fe22 Au22	16.7	1263
Treas 9pc 1994‡‡	103⅝	—	1,900	My17 Nv17	11.10	1345
12pc 1995	107⅞	-.1	2,350	Jy25 Ja25	16.8	1294
Exch 3pc Gas 90-95	97⅛	-.1	214	Mr1 My1	27.9	1271
10¼pc 1995	107⅞	—	2,500	Ja21 Jy21	14.6	1254
Treas 12¾pc 1995‡‡	113⅝	—	940	My15 Nv15	11.10	1298
14pc 1996	117⅛	-.1	770	Jy22 Ja22	15.8	1305
15¼pc 1996‡‡	121⅝	—	1,150	Fe3 Mr3	27.9	1309
Exch 13¼pc 1996‡‡	117⅞	—	800	Nv15 My15	11.10	1288
Conversion 10pc 1996	111⅝	—	3,400	My15 Nv15	11.10	1240
Treas 13¼pc 1997‡‡	120⅝	—	1,290	Jy22 Ja22	16.6	1302
Exch 10½pc 1997	113⅝	—	3,700	Au21 Fe21	15.7	1253
Treas 8¾pc 1997‡‡	109⅜	0.1	8,550	Mr1 Sd1	28.7	1341
Exch 15pc 1997	130⅝	-.1	830	Ap27 Oc27	20.9	1280
9¾pc 1998	113⅛	—	3,550	Jy19 Ja19	14.6	1273
Treas 7¼pc 1998‡‡	104⅞	-.1	6,250	Mr30 Sd30	24.8	—
7¼pc 1998 B‡‡	101½	-.1	1,000	Mr30 Sep30	—	—
Treas 6¾pc 1995-98‡‡	101⅝	0.2	1,200	Mr1 My1	27.9	1331
14pc '96-1	129⅝	-.1	970	Nv22 My22	18.10	1306
Five to Fifteen Years						
Treas 15½pc '98‡‡	136¼	-.1	825	Mr30 Sd30	24.8	1308
Exch 12pc 1998	123⅝	-.1	3,000	My20 Nv20	14.10	1289
Treas 9½pc 1999‡‡	113⅝	—	1,000	Jy15 Ja15	8.6	1347
Exch 12¼pc 1999	125⅜	-.1	3,050	Sd26 Mr26	20.8	1284
Treas 10½pc 1999	118⅞	-.1	1,252	Nv19 My19	13.10	1288
Treas 6pc 1999 (£50m paid)‡‡	60	-.1	3,500	Fe10 Au10	—	—
Conversion 10¼pc 1999	118⅞	-.1	1,798	My22 Nv22	18.10	1242
9pc 2000‡‡	113⅝	-.2	5,358	Sd3 Mr3	28.7	1244
Treas 13pc 2000	133⅞	-.2	3,171	Ja14 Jy14	7.9	1289
10pc 2001	118⅜	-.2	4,406	Au26 Fe26	20.7	1280
7pc '01 ‡‡	102⅞	—	3,250	My6 Nv6	—	—
9¾pc 2002	119⅜	-.2	6,527	Fe27 Au27	21.7	1340
8pc 2003‡‡	108⅜xd	-.1	7,800	Ja10 Dd10	3.11	—
10pc 2003	122½	-.1	2,503	Mr8 Sd8	2.8	1281
Treas 11½pc 2001-4	125⅜	-.2	1,820	Sd19 Mr19	13.8	1280
Funding 3½pc '99-4	81⅜	—	543	Ja14 Jy14	7.6	1274
Conversion 9½pc 2004	120	-.2	3,412	Ap25 Oc25	20.9	1246
Treas 9½pc 2004	100⅞	-.1	3,250	My26 Nv26	—	—
Conv 9½pc 2005	120⅞	-.1	4,842	Oc19 Ap19	13.9	1247
Treas 12½pc 2003-5	138⅜	-.1	2,200	My21 Nv21	15.10	1298
7¾pc 2006‡‡	107⅛	—	3,900	Mr8 Sd8	2.8	—
8pc 2002-6‡‡	107⅞	0.2	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7	131⅞	-.1	3,150	Jy22 Ja22	15.6	1293
Treas 8½pc 2007 ‡‡	113⅝	0.1	5,497	Ja16 Jy16	9.6	1339
8½pc 2007 C‡‡	113⅝	0.1	1,800	Ja16 Jy16	—	—
13½pc '04-8	148⅜	-.2	1,250	Sd26 Mr26	20.8	1301
Over Fifteen Years						
Treas 8pc 2008 ‡‡	118¾	0.2	5,321	Ap13 Oc13	8.9	1343
9pc 2008	109⅜	0.2	3,100	Mr25 Sd25	19.8	1336
Conv 9pc Ln 2011 ‡‡	119⅝	0.3	4,273	Ja12 Jy12	7.6	1245
9pc 2011 D ‡‡	119⅝	0.3	1,000	Jy12 Ja12	—	—
Treas 9pc 2012‡‡	120⅜	0.4	5,100	Fe6 Au6	30.8	1701
Treas 5½pc 2008-12‡‡	87⅞	-.1	1,000	Mr10 Sd10	4.6	1300
Treas 8pc 2013‡‡	110⅜	0.5	4,350	Mr27 Sd27	23.8	—
7¾pc 2012-15‡‡	108⅛	0.2	800	Jy26 Ja26	21.6	1332
Treas 8¾pc 2017‡‡	120⅛	0.5	5,950	Fe25 Au25	18.7	1982
Exch 12pc '13-'17	150⅝xd	0.4	1,000	Ja12 Dd12	5.11	1280
Undated						
Consols 4pc	55	-.3	368	Fe1 Au1	25.6	1298
War Loan 3½pc‡‡	48⅜xd	-.5	1,909	Ja1 Dd1	25.10	1352
Conv 3½pc '61 Aft.	67⅛	-.1	119	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft.	41⅞	—	58	Ap5 Oc5	1.9	1324
Consols 2½pc	35⅝	0.2	276	5JaApJyOc	1.9	1238
Treas. 2½pc	34⅞	-.7	475	Ap1 Oc1	25.8	1315
Index-Linked (b)						
Treas. 2pc '94 (102.9)	186⅝	0.2	500	Nv16 My16	11.10	5070
2pc '96 (67.9)	203⅞	—	1,200	Mr19 Sd19	10.8	1313
4⅝pc '98‡‡ (135.6)	112⅝	-.1	800	Ap27 Oc27	20.9	—
2½pc '01 (78.3)	172⅞	-.2	1,350	Mr24 Sd24	16.8	1316
2½pc '03 (78.8)	166⅞	-.3	1,650	Mr20 My20	14.10	1317
4⅜pc '04‡‡ (135.6)	114⅜	-.5	800	Ap21 Oc21	14.9	—
2pc '06 (69.5)	178⅜	-.3	1,550	Ja19 Jy19	14.6	1314
2½pc '09 (78.8)	162⅜	-.5	1,850	Mr20 My20	14.10	1318
2½pc '11 (74.6)	169⅞	-.4	1,800	Fe23 Au23	18.7	1319
2½pc '13 (89.2)	140⅞	-.5	2,150	Fe16 Au16	12.7	1320
2½pc '16 (81.6)	150⅜	-.4	2,400	Ja26 Jy26	21.6	1321
2½pc '20 (83.0)	145⅞	-.5	2,400	Oc16 Ap16	9.9	1322
2½pc '24‡‡ (97.7)	122⅜	-.6	1,700	Ja17 Jy17	10.6	1323
4⅛pc '30‡‡ (135.1)	122	-.8	1,100	Jy22 Ja16	15.6	—
Other Fixed Interest						
African Dev 11¼ 2010	135⅞	0.3	50	Ja4 Jy4	1.12	—
Asian Dev 10¼pc 2009	127⅜	0.2	100	Mr24 Sd24	28.3	—
B'ham 11½pc 2012	132⅛	-.2	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10	109½	-.5	304	Ap1 Oc1	—	1465
5pc Cap 1996	102	—	725	Ja30 Jy30	—	—
13pc '97-2	114⅞	-.2	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011	162⅛	0.2	40	My31 Nv31	27.10	—
Leeds 13½pc 2006	142⅞	-.3	40	Ap1 Oc1	12.3	3146
Liverpool 3½pc Irred	42	—	5	1JaApJuOc	1.6	3169
LCC 3pc '20 Aft	38	0.7	26	1MrJeSeDe	1.6	—
Manchester 11½pc 2007	128⅛	-1.9	7	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'	73⅞	—	25	Mr1 Sd1	1.8	3361
N'wide Anglia 3⅞pc 2021	143⅞	-.5	60	Ja30 Jy30	6.1	3465
4½pc IL 2024	137⅞	-.4	50	Fe23 Au23	20.7	—
Utd Mex States 16½pc 2008	153	—	59	Mr1 Sd1	27.8	—

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1993: 139.3 and for October 1993: 141.8.

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

The Emerging Investor / David Pilling

Keeping an eye on the old tiger

In Latin American terms, Chile is considered the "old tiger" of capital markets. No longer as dynamic as more sprightly counterparts such as Peru, Chile has a market sophistication unparalleled on the continent.

Such maturity is manifested in several ways. The market capitalisation of the Santiago stock exchange, at about $36.5bn (£24.4bn), is 95 per cent of GDP – much larger in relative terms than that of, for example, Mexico.

The exchange, or bolsa, is underpinned by a strong institutional base lacking elsewhere on the continent. Private pension funds (AFPs) – to which Chileans are theoretically obliged to commit 10 per cent of their wages – have accumulated nearly $15bn in funds and are expanding by $300m a month. Local companies regularly tap the solid – if sometimes illiquid – local market through the issue of equity as well as medium- and long-term paper. Corporate bonds, denominated in index-linked Unidades de Fomento, carry a coupon of anything between 7 and 12 per cent.

Chile was last year the first Latin American country to obtain an investment grade rating of BBB, and there is already talk of a further upgrade. Likewise Endesa, the electricity company, became the continent's first private sector company to win an investment grade.

Such features separate Chile from most of its neighbours. "It is almost like having an Asian economy in the heart of Latin America," says one analyst.

After the approval of the North American Free Trade Agreement, investors are likely to focus on Mexico and, to a lesser extent, Argentina, largely on hopes of ratings upgrades in both countries. But, says Mr Alfredo Viegas, senior analyst at Salomon Brothers, this does not mean that Chile should be ignored, particularly later in 1994 when the prospects of Chile's accession to Nafta should become clearer.

"We still firmly believe that Chile is the most structurally advanced economy in Latin America. Growth is primarily financed through internal savings, which is the sort we see in many of the Pacific Rim countries, and the type that ultimately leads to a rising standard of living," says Mr Viegas.

Such fundamentals have produced jolting, though significant, gains on the bolsa this year. The IPSA index of the 40 most traded shares, reset at 100 each year, closed on Friday at 139.65, a 27 per cent gain in dollar terms.

Volumes have remained low, averaging only $8m a day, mainly because of the domination of the AFPs which tend to sit on their equity purchases. Most trading is concentrated on very few companies, the three principal sectors of activity being electricity (30 per cent), telecommunications (16 per cent) and petrochemicals (10 per cent).

Mr Viegas expects a quiet first half to 1994, with greater interest later. With an average p/e of 16.8 on projected 1993 earnings, Santiago is Latin America's most expensive exchange, but Salomon is nevertheless forecasting real gains of 15-20 per cent next year.

Neither imminent presidential and parliamentary elections – on December 11 – nor the prospect of lower economic growth in 1994, are likely to cloud long-term horizons. "Good corporate fundamentals mean that the larger, well-managed companies will continue to do well even in leaner times," says Mr Viegas.

Chile's economy is expected to grow by 4-5 per cent next year, against projected growth of 6 per cent in 1993 and 10.4 per cent in 1992. Next year's relatively poor performance – measured against exceptional average growth of 6.5 per cent over the past decade – is primarily the result of weak international prices for Chile's three main exports, namely copper, cellulose and fishmeal.

Slowdown is most unlikely to produce a change of economic course. Presidential frontrunner Mr Eduardo Frei, candidate of the governing Christian Democrat-led coalition, is committed to continuing the tight fiscal and monetary policies of the present administration.

In the medium term, a Frei administration is likely to accelerate economic reform. Mr Juan Villarzú, Mr Frei's economic adviser and the man widely tipped to be the next finance minister, is keen to push through capital market reforms, currently languishing in congress. These aim to broaden investment options for pension and insurance funds.

Institutional investors will be allowed to purchase second-tier stock, extending their scope to around 200 companies from the 40 blue-chips currently permitted. They will be allowed to provide venture capital, project funding and to expand their international investments to corporate bonds and equity.

Mr Villarzú has also hinted that, given the country's $10bn external reserves, now may be the time to lift remaining exchange controls which oblige foreign investors to leave money in Chile for at least a year.

Given the steady appreciation of the peso, Mr Villarzú probably figures that it may be no bad thing to give foreign capital an escape route. He has also hinted at the possibility of lowering interest rates in order to further stimulate investment – already at historic highs – and to ease pressure on the peso by reducing the differential between domestic and international rates.

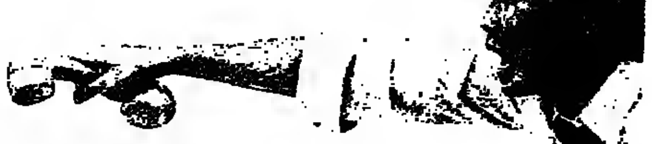
Cheaper money might also help to stem the flow of American Depository Receipt issues, all the rage in Santiago. The quantity of companies lining up to raise capital on the New York stock exchange has become a source of frustration for some local investors, according to Mr Viegas.

According to Mr Daniel Yarur, deputy chairman of the securities and exchange commission, the old tiger may have a bit of life in it yet.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	%
Migros	Turkey	13.8639	+3.07	+28.38
Eregli Demir Ve Celik	Turkey	0.4770	+0.08	+21.40
Cia Sudamericana de Vapores	Chile	1.0243	+0.15	+16.63
Kordsa	Turkey	0.4498	+0.06	+15.21
Petrobas (pfd)	Brazil	0.1743	+0.01	+14.86
Cifra (A)	Mexico	3.0261	+0.36	+13.87
Michaniki	Greece	48.0662	+5.22	+12.18
Gukurova Elektrik	Turkey	1.0324	+0.10	+10.15
Grupo Fiadero Banamex-Accival	Mexico	6.1205	+0.52	+9.26
Cifra (C)	Mexico	2.8080	+0.23	+9.11

Source: Baring Securities



News round-up

■ India

Confidence is riding high after the Bombay stock exchange rose by 5 per cent last Friday, hitting a new 14-month high. Foreign buyers are thought to have become active buyers in recent weeks, says Maryam Mansoury of Lehman Brothers, with some switching of funds out of south-east Asia evident.

A more stable political environment has also led to an improvement in sentiment, with the Congress party forecast to do better than expected in the current round of local elections.

■ Israel

The public offering of a 10 per cent stake in Bank Leumi has been delayed. The offer was due to have started today but has now been postponed until January. This follows the failure of the offering in Bank Hapoalim, the country's largest bank, last week.

■ Thailand

Phatra Thanakit, one of the country's leading stockbrokers, has been fined Bt40m ($1.6m) for breaking stock exchange rules. The fine is believed to be the largest ever imposed by the authorities.

The broker automatically channelled a stock order from a sub-broker onto the market instead of re-keying the order onto its own computers.

■ Taiwan

Reforms have been announced which aim to ease restraints on foreign investment in the country's financial markets. Restrictions on remittances of capital gains and principal out of Taiwan by foreign investors will be removed.

The government is also resuming its stalled privatisation programme by offering a 15 per cent stake, worth T$972m ($36m), in Chung Kuo Insurance.

■ China

China plans to free state-owned companies from government control, making them into legal entities with clear lines of responsibility over strategy for profit and the use of company assets.

■ South Korea

The Economic Planning Board is drawing up plans for the privatisation of at least 40 of the 134 companies in which the state owns a stake in response to demands by President Kim Young-sam for reform of the state sector.

■ Greece

Trading in the Aegek civil engineering group begins on the Athens bourse today. Aegek's three main shareholders own 80 per cent of the share capital after the company's initial public offering earlier this month which raised about 150 times the Dr1.59bn ($6.5m) sought, with 532,500 new shares entering the market.

■ Argentina

A price of 5.30 pesos per share has been set for the government's sale of its remaining 30 per cent stake in the Central Puerto electricity utility.

■ Russia

Plans are in preparation to sell a big stake in the Lada car plant, and 50 per cent of the shares could be sold before the end of this year, with foreigners being permitted to take a stake.

The sale of AvtoVAZ is likely to be a combination of a voucher auction and an investment tender, offering some shares in exchange for privatisation vouchers held by Russian citizens.

■ Turkey

Investors are preparing for a small bang when the stock exchange begins a switch to computerised trading on Friday. The exchange is to introduce automated price matching on 50 less active shares as a trial.

CURRENCIES

Peter John

Sterling awaits outcome of Budget

Very few UK investors are looking beyond tomorrow's Budget but the rest of the world must take a wider view of factors that will impinge on the currency markets.

In the US, for example, monthly employment figures on Friday could provide the dollar with the chance it needs to break out of its present narrow trading.

The UK Budget initially had as much appeal as a washing machine on slow spin – most economists were convinced that Mr Kenneth Clarke, the chancellor, was backed into a tight corner by current low interest rates and the tax legacy of his predecessor. There was a growing conviction that he could do little more than increase the tax burden a little and cut rates by a smidgen.

Tuesday's surprise half-point cut in base rates to 5.5 per cent has seen uncertainty and drama return. Does Tuesday's coded message that the chancellor had taken "full account" of the budget mean there will be no more good news on rates? Will the fiscal squeeze be so tight that it will have to be balanced by another half-point sweetener before the end of the year? What does it mean for sterling?

Last week, the pound defied the conventional wisdom that lower rates lead to weaker currencies. The rate cut was heavily discounted in money market lending rates so the pound rose against leading currencies.

The chances of sterling pulling off the same coup twice in a short period are slim. Most economists agree that while base rates of 5 per cent might not be detrimental to the pound they would give pause for thought.

The second focus of the week will come on Friday when the US releases its non-farm payroll data for November. The figure is considered to be the most important pointer to the direction the US economy is taking and economists are looking for a rise in jobs over the month of between 150,000 and 200,000.

The dollar has been within in a tight range against the D-Mark of between DM1.68 and DM1.72 for some time and a higher than forecast jobs figure could send the currency into new territory.

Finally the Bundesbank council is to meet on Thursday and there are some hopes it might reduce the Lombard and discount rates, although most economists forecast no further cut before the next meeting on December 16.

Baring securities emerging markets indices

Index	26/11/93	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (239)	143.53	-1.17	-0.81	+11.01	+8.31	+42.47	+42.03
Latin America							
Argentina (19)	99.77	-7.83	-7.42	-5.30	-5.14	+23.51	+31.65
Brazil (18)	140.72	+2.72	+1.97	+26.82	+23.33	+62.81	+80.62
Chile (12)	130.31	-0.87	-0.66	+4.86	+3.87	+19.02	+17.09
Mexico (22)	138.15	+2.78	+2.05	+11.80	+9.34	+20.41	+17.33
Latin America (71)	133.29	+0.42	+0.31	+12.20	+10.07	+32.92	+32.81
Europe							
Greece (14)	78.33	-1.14	-1.43	-2.71	-3.35	+8.18	+11.66
Portugal (13)	112.24	-1.58	-1.39	+0.21	+0.19	+28.23	+33.60
Turkey (22)	142.97	+7.14	+5.26	+25.19	+21.39	+89.10	+165.41
Europe (49)	106.41	+0.46	+0.44	+4.74	+4.66	+36.29	+51.76
Asia							
Indonesia (17)	156.06	-4.33	-2.70	+13.98	+9.84	+58.62	+60.16
Korea (23)	95.51	-2.35	-2.40	+5.82	+6.25	+6.90	+7.79
Malaysia (21)	206.63	-4.94	-2.33	+6.16	+3.07	+77.60	+60.14
Phillippines (9)	229.69	+3.54	+1.57	+22.70	+10.87	+107.23	+87.56
Thailand (20)	213.41	-10.80	-4.82	+29.01	+15.79	+91.15	+74.56
Taiwan (29)	94.81	-1.38	-1.44	+1.59	+1.71	+18.65	+24.56
Asia (119)	174.63	-4.50	-2.51	+11.14	+8.82	+62.04	+55.10

All indices in $ terms, January 7th 1992=100. Source: Barings Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday November 26, 1993 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2260.22	1546.77	903.837	1424.09
Albania	(Lek)	163.130	110.223	64.4146	101.481
Algeria	(Dinar)	35.6604	24.0946	14.0811	22.1637
Andorra	(Fr Fr)	8.7500	5.9121	3.455	5.4432
	(Sp Peseta)	207.00	139.865	81.7374	128.771
Angola	(New Kwanza)	10070.18	6804.18	3976.36	6264.5
Antigua	(E Carr $)	4.0041	2.7054	1.581	2.4908
Argentina	(Peso)	1.4780	0.9986	0.5836	0.9194
Aruba	(Florin)	2.6546	1.7936	1.0482	1.6513
Australia	(Aus $)	2.2340	1.5094	0.8821	1.3897
Austria	(Schilling)	17.825	12.0438	7.0384	11.0886
Azores	(Port Escudo)	259.25	175.169	102.369	161.275
Bahamas	(Bahama $)	1.4800	1	0.5844	0.9206
Bahrain	(Dinar)	0.5593	0.3779	0.2208	0.3479
Balearic Is	(Sp Peseta)	207.00	139.865	81.7374	128.771
Bangladesh	(Taka)	58.3107	39.3991	23.0249	36.2741
Barbados	(Barb $)	2.9828	2.0154	1.1778	1.8555
Belgium	(Belg Fr)	53.65	36.25	21.1846	33.3746
Belize	(B $)	2.9660	2.004	1.1711	1.8451
Benin	(CFA Fr)	437.50	295.608	172.754	272.162
Bermuda	(Bermudian $)	1.4800	1	0.5844	0.9206
Bhutan	(Ngultrum)	46.5254	31.436	18.3713	28.9427
Bolivia	(Boliviano)	6.5549	4.4289	2.5883	4.0776
Botswana	(Pula)	3.7701	2.5473	1.4886	2.3453
Brazil	(Cruzeiro Real)	339.50	229.392	134.057	211.198
Brunei	(Brunei $)	2.3695	1.601	0.9356	1.474
Bulgaria	(Lev)	39.60	26.7567	15.6367	24.6345
Burkino Faso	(CFA Fr)	437.50	295.608	172.754	272.162
Burma	(Kyat)	9.4750	6.402	3.7413	5.8942
Burundi	(Burundi Fr)	388.80	262.703	153.524	241.866
Cambodia	(Riel)	5190.50	3507.09	2049.56	3228.93
Cameroon	(CFA Fr)	437.50	295.608	172.754	272.162
Canada	(Canadian $)	1.9675	1.3293	0.7769	1.2239
Canary Is	(Sp Peseta)	207.00	139.865	81.7374	128.771
Cp. Verde	(CV Escudo)	110.0565	74.3604	43.4506	68.4632
Cayman Is	(CI $)	1.2606	0.8517	0.4977	0.7841
Cent.Afr. Rep	(CFA Fr)	437.50	295.608	172.754	272.162
Chad	(CFA Fr)	437.50	295.608	172.754	272.162
Chile	(Chilean Peso)	615.37	415.791	242.989	382.812
China	(Renminbi Yuan)	8.6354	5.8347	3.4098	5.3719
Colombia	(Col Peso)	1203.71	813.318	475.305	748.809
CIS ‡	(Rouble)	0.8826o	0.5929	0.3406	0.5367
		1783.37m	1204.98	704.193	1109.41
Comoros	(CFA Fr)	437.50	295.608	172.754	272.162
Congo (Brazz)	(CFA Fr)	437.50	295.608	172.754	272.162
Costa Rica	(Colon)	221.575	149.713	87.4925	137.838
Côte d'Ivoire	(CFA Fr)	437.50	295.608	172.754	272.162
Croatia	(Dinar)	9393.85	6347.06	3709.24	5843.64
Cuba	(Cuban Peso)	1.1232	0.7589	0.4435	0.6987
Cyprus	(Cyprus £)	0.7669	0.5181	0.3028	0.477
Czech Rep.	(Koruna)	44.232	29.8864	17.4657	27.516
Denmark	(Danish Krone)	10.0375	6.782	3.9634	6.2441
Djibouti Rep	(Djib Fr)	260.25	175.845	102.764	161.897
Dominica	(E Carib $)	4.0041	2.7054	1.581	2.4908
Dominican Rep	(D Peso)	18.6375	12.5929	7.3159	11.5378
Ecuador	(Sucre)	2912.90o	1968.24	1150.24	1812.12
		2925.90a	1977	1155.36	1820.19
Egypt	(Egyptian £)	5.0039	3.381	1.9758	3.1128
El Salvador	(Colon)	12.9318	8.7377	5.1063	8.0446
Equat'l Guinea	(CFA Fr)	437.50	295.608	172.754	272.162
Estonia	(Kroon)	20.303	13.7182	8.0169	12.6301
Ethiopia	(Ethiopian Birr)	7.3112	4.94	2.8869	4.5481
Falkland Is	(Falk £)	1.00	0.6756	0.3948	0.622
Faroe Is	(Danish Kroner)	10.0375	6.782	3.9634	6.2441
Fiji Is	(Fiji $)	2.2367	1.5511	0.9064	1.4261
Finland	(Markka)	8.8470	5.9425	3.4144	5.3791
France	(Fr)	8.7500	5.9121	3.455	5.4432
Fr. Cty/Africa	(CFA Fr)	437.50	295.608	172.754	272.162
Fr. Guiana	(Local Fr)	8.7500	5.9121	3.455	5.4432
Fr. Pacific Is	(CFP Fr)	157.25	106.25	62.0927	97.8227
Gabon	(CFA Fr)	437.50	295.608	172.754	272.162

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.4572	8.417	4.9189	7.7494
Germany	(D-Mark)	2.5325	1.7111	1	1.5754
Ghana	(Cedi)	1082.59	731.48	427.479	673.462
Gibraltar	(Gib £)	1.00	0.6756	0.3948	0.622
Greece	(Drachma)	363.86	245.846	143.672	226.345
Greenland	(Danish Krone)	10.0375	6.782	3.9634	6.2441
Grenada	(E Carr $)	4.0041	2.7054	1.581	2.4908
Guadeloupe	(Local Fr)	8.7500	5.9121	3.455	5.4432
Guam	(US $)	1.4800	1	0.5844	0.9206
Guatemala	(Quetzal)	8.6536	5.847	3.417	5.3832
Guinea	(Fr)	1204.83	813.939	475.666	749.381
Guinea-Bissau	(Peso)	7415.00	5010.14	2927.94	4612.75
Guyana	(Guyanese $)	186.8580	126.255	73.784	116.241
Haiti	(Gourde)	17.7960	12.0243	7.027	11.0709
Honduras	(Lempira)	10.3217	6.9741	4.0756	6.4209
Hong Kong	(HK $)	11.4410	7.7304	4.5176	7.1172
Hungary	(Forint)	148.1220	100.082	58.4884	92.1443
Iceland	(Icelandic Krona)	107.09	72.3581	42.2862	66.6188
India	(Indian Rupee)	46.5254	31.436	18.3713	28.9427
Indonesia	(Rupiah)	3112.25	2102.87	1228.92	1936.08
Iran	(Rial)	2556.30	1722.58	1010.19	1591.48
Iraq	(Iraqi Dinar)	0.46516	0.3142	0.1836	0.2893
Irish Rep	(Punt)	1.0525	0.7111	0.4155	0.6547
Israel	(Shekel)	4.3986	2.972	1.7368	2.7362
Italy	(Lira)	2504.25	1692.06	988.846	1557.85
Jamaica	(Jamaican $)	41.5250	28.0574	16.3968	25.832
Japan	(Yen)	160.75	108.615	63.4748	100
Jordan	(Jordanian Dinar)	1.0396	0.7024	0.4105	0.6467
Kenya	(Kenya Shilling)	102.03	68.9391	40.2882	63.4712
Kiribati	(Australian $)	2.2340	1.5094	0.8821	1.3897
Korea North	(Won)	3.1885	2.1543	1.259	1.9835
Korea South	(Won)	1195.76	807.939	472.162	743.857
Kuwait	(Kuwaiti Dinar)	0.44230	0.2988	0.1746	0.2751
Laos	(New Kip)	1057.76	721.458	421.623	664.236
Latvia	(Lat)	0.8969	0.606	0.3553	0.5596
Lebanon	(Lebanese £)	2555.16	1726.46	1008.95	1589.62
Lesotho	(Maluti)	4.9880	3.3702	1.9695	3.1029
Liberia	(Liberian $)	1.4800	1	0.5844	0.9206
Libya	(Libyan Dinar)	0.4476	0.3024	0.1767	0.2784
Liechtenstein	(Swiss Fr)	2.2175	1.4983	0.8756	1.3794
Lithuania	(Litas)	5.8438	3.9479	2.3072	3.6349
Luxembourg	(Lux Fr)	53.65	36.25	21.1846	33.3746
Macao	(Pataca)	11.8355	7.9969	4.6734	7.3626
Madagascar	(MG Fr)	2828.15	1910.91	1116.74	1759.35
Madeira	(Port Escudo)	259.25	175.169	102.369	161.275
Malawi	(Kwacha)	6.5727	4.441	2.5953	4.0887
Malaysia	(Ringgit)	3.7845	2.557	1.4943	2.3542
Maldive Is	(Rufiya)	17.7589	11.9992	7.0123	11.0475
Mali Rep	(CFA Fr)	437.50	295.608	172.754	272.162
Malta	(Maltese Lira)	0.5615	0.3829	0.2238	0.3517
Martinique	(Local Fr)	8.7500	5.9121	3.455	5.4432
Mauritania	(Ouguiya)	182.7096	123.45	72.1443	113.656
Mauritius	(Maur Rupee)	27.4637	18.5565	10.8445	17.0847
Mexico	(Mexican Peso)	4.6095	3.1145	1.8201	2.8674
Miquelon	(Local Fr)	8.7500	5.9121	3.455	5.4432
Monaco	(French Fr)	8.7500	5.9121	3.455	5.4432
Mongolia	(Tugrik)	593.20	400.811	234.235	369.02
Montserrat	(E Carr $)	4.0041	2.7054	1.581	2.4908
Morocco	(Dirham)	14.2034	9.5962	5.608	8.835
Mozambique	(Metical)	7655.21	5172.44	3022.79	4762.18
Namibia	(S A Rand)	4.9880	3.3702	1.9695	3.1029
Nauru Is	(Australian $)	2.2340	1.5094	0.8821	1.3897
Nepal	(Nepalese Rupee)	68.9467	46.5856	27.2247	42.8906
Netherlands	(Guilder)	2.8425	1.9206	1.1224	1.7682
N'nd Antilles	(A/Guilder)	2.6546	1.7936	1.0482	1.6513
New Zealand	(NZ $)	2.7070	1.829	1.0689	1.6839
Nicaragua	(Gold Cordoba)	9.3119	6.2918	3.6769	5.7927
Niger Rep	(CFA Fr)	437.50	295.608	172.754	272.162
Nigeria	(Naira)	32.5775o	22.0118	12.8637	20.2659
		51.9950s	35.0709	20.4955	32.2892
Norway	(Nor. Krone)	11.0000	7.4324	4.3435	6.8429
Oman	(Rial Omani)	0.5709	0.3857	0.2254	0.3551

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	44.5197	30.0808	17.5793	27.6949
Panama	(Balboa)	1.4800	1	0.5844	0.9206
Papua New Guinea	(Kina)	1.5138	1.0228	0.5977	0.9417
Paraguay	(Guarani)	2668.43	1801.64	1052.89	1658.74
Peru	(New Sol)	3.2226	2.1774	1.2724	2.0047
Philippines	(Peso)	42.0431	28.4075	16.6014	26.1543
Pitcairn Is	(£ Sterling)	1.00	0.6756	0.3948	0.622
	(NZ $)	2.7070	1.829	1.0689	1.6839
Poland	(Zloty)	31058.00	20985.1	12263.8	19320.7
Portugal	(Escudo)	259.25	175.169	102.369	161.275
Puerto Rico	(US $)	1.4800	1	0.5844	0.9206
Qatar	(Riyal)	5.3985	3.6476	2.1316	3.3583
Reunion Is. de la	(F/Fr)	8.7500	5.9121	3.455	5.4432
Romania	(Leu)	1596.34	1078.61	630.342	993.058
Rwanda	(Fr)	212.80	143.784	84.0276	132.379
St Christopher	(E Carr $)	4.0041	2.7054	1.581	2.4908
St Helena	(£)	1.00	0.6756	0.3948	0.622
St Lucia	(E Carr $)	4.0041	2.7054	1.581	2.4908
St Pierre	(French Fr)	8.7500	5.9121	3.455	5.4432
St Vincent	(E Carr $)	4.0041	2.7054	1.581	2.4908
San Marino	(Italian Lira)	2504.25	1692.06	988.845	1557.85
Sao Tome	(Dobra)	355.92	240.486	140.541	221.412
Saudi Arabia	(Riyal)	5.5530	3.752	2.1926	3.4544
Senegal	(CFA Fr)	437.50	295.608	172.754	272.162
Seychelles	(Rupee)	7.8288	5.2897	3.0913	4.8761
Sierra Leone	(Leone)	815.65	551.115	322.073	507.403
Singapore	($)	2.3695	1.601	0.9356	1.474
Slovakia	(Koruna)	48.9800	33.0945	19.3405	30.4636
Slovenia	(Tolar)	189.3447	127.936	74.7659	117.786
Solomon Is	($)	4.7602	3.2163	1.8796	2.9612
Somali Rep	(Shilling)	3885.46	2625.31	1534.24	2417.00
South Africa	(Rand)	4.9880c	3.3702	1.9695	3.1029
		6.5490g	4.425	2.5859	4.074
Spain	(Peseta)	207.00	139.865	81.7374	128.771
Spanish Ports in N Africa	(Sp Peseta)	207.00	139.865	81.7374	128.771
Sri Lanka ¢	(Rupee)	72.6915	49.1156	28.7034	45.2202
Sudan Rep	(Dinar)	19.2790	13.0263	7.6126	11.9931
Surinam	(Guilder)	2.6472	1.7886	1.0452	1.6467
Swaziland	(Lilangeni)	4.9880	3.3702	1.9695	3.1029
Sweden	(Krona)	12.4350	8.402	4.9101	7.7356
Switzerland	(Fr)	2.2175	1.4983	0.8756	1.3794
Syria	(£)	31.1430	21.0425	12.2973	19.3735
Taiwan	($)	39.825	26.9087	15.7255	24.7744
Tanzania	(Shilling)	658.45	444.899	260	409.611
Thailand	(Baht)	37.80	25.5405	14.9258	23.5147
Togo Rep	(CFA Fr)	437.50	295.608	172.754	272.162
Tonga Is	(Pa Anga)	2.2340	1.5094	0.8821	1.3897
Trinidad/Tobago	($)	8.1862	5.5312	3.2324	5.0925
Tunisia	(Dinar)	1.5371	1.0385	0.6069	0.9562
Turkey	(Lira)	20725.99	14004	8184	12893.3
Turks & Caicos	(US $)	1.4800	1	0.5844	0.9206
Tuvalu	(Australian $)	2.2340	1.5094	0.8821	1.3897
Uganda	(New Shilling)	1705.45	1152.33	673.425	1060.93
Ukraine	(Karbovanets)	46143.50	31178	18220.5	28705.1
U A E	(Dirham)	5.4360	3.6743	2.1472	3.3828
United Kingdom	(£)	1.00	0.6756	0.3948	0.622
United States	(US $)	1.4800	1	0.5844	0.9206
Uruguay	(Peso Uruguayo)	6.4583	4.3636	2.5502	4.0177
Vanuatu	(Vatu)	183.1080	123.72	72.3024	113.907
Vatican	(Lira)	2504.25	1692.06	988.845	1557.85
Venezuela	(Bolivar)	152.89	103.169	60.2922	94.986
Vietnam	(Dong)	16038.6	10836.9	6333.11	9977.36
Virgin Is-British	(US $)	1.4800	1	0.5844	0.9206
Virgin Is-US	(US $)	1.4800	1	0.5844	0.9206
Western Samoa	(Tala)	3.8770	2.6195	1.5308	2.4118
Yemen (Rep of)	(Rial)	24.4695	16.5334	9.6621	15.222
Yemen (Rep of)	(Dinar)	0.6835	0.4618	0.2698	0.4251
Yugoslavia	(New Dinar)	10419500.0	7040203	4114314	6481604
Zaire Rep	(Zaire)	6.040	4.081	2.3849	3.7573
Zambia	(Kwacha)	620.95	419.561	245.192	386.263
Zimbabwe	($)	10.1586	6.8639	4.0112	6.3195

Special Drawing Rights November 24 United Kingdom £0.9322834 United States $1.36899 Germany D Mark2.36158 Japan Yen150.090 European Currency Unit Rates November 26 United Kingdom £0.757134 United States $1.12321 Germany D Mark1.92215 Japan Yen122.093

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ; ‡ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4380/5. Friday, November 26, 1993

EQUITY MARKETS: This Week

NEW YORK
Richard Waters

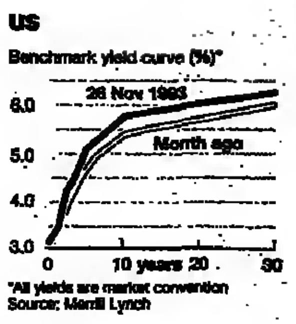
Just how strongly the US economy is growing will become clearer this week, as the first economic data for November are published.

Since its record low of 5.78 per cent on October 15, the long bond's yield had climbed to 6.33 per cent by last Monday. In the circumstances, the nine basis point fall in yield by last Friday, thanks largely to Opec's failure to agree production limits, marked an important recovery.

The market is braced for either a continuation of, or a slight increase in, the pace of economic activity in October. Anything which suggests the economy is moving ahead at a sharply higher level would weaken prices.

Revised third-quarter GDP figures on Wednesday are expected to show a modest increase on the 2.8 per cent growth rate reported, with most estimates at between 2.9 per cent and 3.1 per cent. The same day brings the survey of the National Association of Purchasing Managers for November. The NAPM index, which jumped to 53.9 in October from 49.8 in September, is projected to rise to anything from 54-56.5.

Friday's November employment figures will provide the last big test of the week. Bond market economists expect non-farm payrolls, which grew by 177,000 in October, to show an increase of anything from 175,00-230,000. But just how much good economic news can the bond market take?



LONDON
Peter Marsh

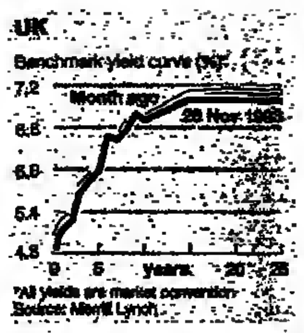
The consensus among City economists is that Mr Kenneth Clarke, the chancellor of the exchequer, will announce in tomorrow's Budget tax increases of amounting to about £2bn. These would come on top of the £6.7bn of increases due to take effect from next April.

The tightening of policy which such a strategy would entail is one reason why gilts have performed well in the past month, with yields continuing their downward path of the past year. Another reason is the subdued state of inflationary pressures in Britain, which many economists believe will continue for some time.

However, gilts specialists would not like to see Mr Clarke tighten the screw too much in terms of higher taxation. This could push the economy into a long period of low activity, which could mean the public sector borrowing requirement stays high. This would be bad for gilt prices in the long term.

The consensus is that the deficit, set for about £50bn this financial year, will fall to about £40bn in 1994-95. A figure of this order is likely to be projected by the Treasury tomorrow. In the March Budget, the Treasury forecasts £44bn.

On Budget day, the Bank of England announces gilt-edged stock to be sold in its next auction on December 8. It said on Friday an unspecified amount of bonds in the maturity range between 2002 and 2006 would go on sale.



FRANKFURT
David Waller

The Bund market faces a nervous fortnight. This week and next traders will be overwhelmed with statistics on the German economy. They include new orders, unemployment, industrial production and the GDP figure for the third quarter.

On Thursday, the Bundesbank policy-making council holds its penultimate meeting of the year. The market has priced in a further generous cut in the discount this year – but will it come?

Latest inflation data, released last Friday, was good – an annual 3.7 per cent. This was the fourth month in a row growth had slowed. As Mr Johann Gaddum, Bundesbank vice-president, hinted last Thursday, this may mean Germany is over the hump on inflation, pointing to further easing of monetary policy.

Working against this last week were hard-line speeches from Mr Hans Tietmeyer, Bundesbank president, and the fact that the fixed-rate repo, at 6.25 per cent, down four basis points on the previous week, apparently pointed to a more restrained pace of cuts. Growth in October M3 money supply was higher than expected.

If the Bundesbank delivers no cut, the Bund market will have to focus all its hopes on the one remaining council meeting, scheduled for December 16. This may lead to nervousness in the long end. There may still be nervousness if the Bundesbank *does* deliver cuts.

TOKYO
Emiko Terazono

Japanese government bonds can expect continued support this week from increases in money market liquidity as the Bank of Japan attempts to stem deteriorating investor confidence in the financial system.

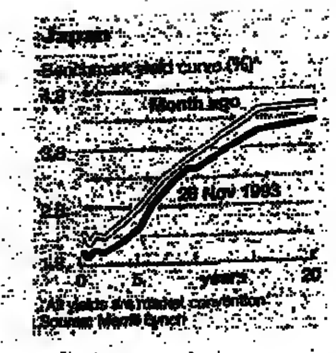
Worries about the banking system have pushed the leading Nikkei 225 index down through the psychologically important level of 17,000 for the first time since March 6. Investors expect further technical selling to depress the index ahead of the settlement of stock futures and options contracts on December 10.

Bond investors expect continued efforts by the Bank, which last week supported the Tokyo market by adding liquidity to the money markets and allowing short-term interest rates to fall.

Investors will also focus on talks in the upper house over the political reform bill. Although the bill passed the lower house on November 18, talks in the upper house look as if they could drag on.

Mr Morihiro Hosokawa, prime minister, has indicated that he would resign if the bill did not pass this year. If the upper house fails to vote on the bill, decision-making on fiscal stimulus, including an income tax cut, is likely to be postponed, severely damaging business sentiment.

A spate of economic figures, scheduled to be released on Tuesday, are likely to confirm further economic weakness.



Capital & Credit / Sara Webb

Gilt market awaits chancellor's lead

What would it take in tomorrow's Budget to make the gilt-edged market really happy?

There has been plenty of speculation about what the Chancellor may or may not have tucked up his sleeve: but if those in the gilt-edged market could have their way, there are a few important points on which they would like some reassurance.

In one respect their prayers have been answered. Last Tuesday, the Bank of England delivered a half-point interest rate cut, lowering the base rate to 5.5 per cent from 6 per cent. That cut had been priced into the gilt market, although its timing came as a surprise since many had thought an interest rate cut was more likely to come in conjunction with the Budget or shortly afterwards.

Now, while the gilt market would probably like to see a further cut in the base rate, most economists consider it extremely unlikely that there will be another cut at the time of the Budget.

However, looking ahead, many in the market believe base rates could fall to 5 per cent by the first quarter of 1994, while Mr Roger Bootle, chief economist at Midland Global Markets, is putting his money on a 4 per cent base rate "at some point next year".

With the focus temporarily off the base rate, the gilt market will be listening carefully for what Mr Kenneth Clarke has to say about certain important figures – namely inflation and the Public Sector Borrowing Requirement (PSBR).

The latest inflation figure – for October – came in at a better-than-expected 1.4 per cent, down from 1.8 per cent in September.

"The market will be looking for confirmation of a low-inflation background in the Budget speech . . . the inflation figures have been better than expected recently, and if Mr Clarke thinks this will continue, then gilts would be delighted," says one gilt-edged market-maker.

Mr Simon Briscoe, economist at S.G. Warburg Securities, believes it is vital for the chancellor to re-emphasise the 1 per cent to 4 per cent range for the inflation target (for the RPI excluding mortgage interest payments). "It would be a huge mistake to be seen to be softening up on this, the centre-piece of post-ERM policy," Mr Briscoe says.

As for the other numbers, there has been plenty of talk in the market about fiscal tightening: estimates range from about £1bn to about £4bn.

Mr Ifty Islam, UK economist at Merrill Lynch, argues there is probably a minimum amount of about £2bn which would keep the gilt market happy. "Two billion pounds is a small tightening, but the main thing here is sentiment so, if the government tightens by less than that, the market will be disappointed. However, a net tax rise of £3bn-£4bn on top of the £6.725bn already announced would be taken quite well by the gilt market," Mr Islam says.

Overall, however, the market will be looking at the size of the PSBR with a view to just how much gilt funding the Bank of England will have to conduct in the remainder of this year and next year.

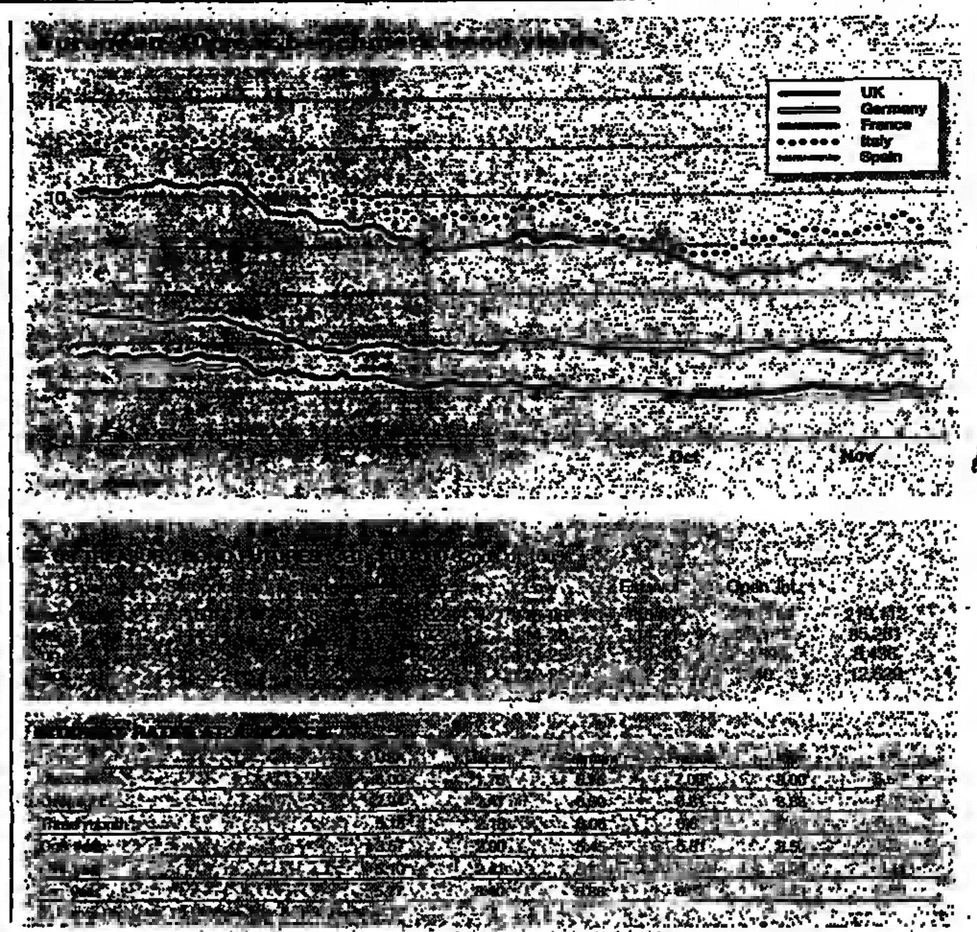
Most economists expect the chancellor to scale back the original PSBR forecast for 1993-94 of £50bn to £45bn-£48bn, helped by a faster-than-expected recovery (which has lifted tax receipts) and lower debt-servicing costs. The initial reaction to a PSBR of £50bn was one of horror, and fear that the gilt market would be swamped with new supply. With the benefit of hindsight, the reaction was over-done, and the gilt market has coped well with heavy new supply. It coped so well, that the Bank has succeeded in funding most of this year's requirement. Even so, "an expenditure undershoot would be good news", said Mr Briscoe.

The market will want to see a reduction in the PSBR forecast for 1994-95. Back in March, a figure of £44bn was mooted. Now, economists in the City think it could be closer to £39bn-£40bn.

In conjunction with these figures, the market would probably welcome a clarification on the funding calendar. The Bank has been forced to hold more frequent gilt auctions in recent months because of the amount of funding which had to be completed.

However, some gilt specialists feel the time has come to re-think the procedure, given the low cover ratio at some recent auctions.

"In the last year, auctions and taps have accounted for roughly equal amounts of funding. While this gives maximum flexibility to the Bank, it means investors feel no great urge to bid in auctions as it is always perceived that a tap is just around the corner," says Mr Briscoe. He suggests the Bank should consider moving to a system where it holds monthly auctions at which it sells smaller amounts of several different maturity stocks, as in France.



International / Antonia Sharpe

FRN sector is fashionable again

The floating-rate note (FRN) market, which has enjoyed a spectacular recovery over the last two years, is expected to continue to flourish in 1994, especially if forecasts of a rise in US interest rates come true.

Volume of Eurodollar FRN new issues has risen to $45bn so far this year from $25.4bn in the whole of last year. This compares with just $4bn in 1991, when the market was still suffering from the after-affects of a crisis in the perpetual FRN sector in the late 1980s.

The crisis, and the subsequent sell-off, severely dented investor confidence in the FRN market and caused liquidity to dry up. In addition, the start of the bull run in the US Treasury market gave investors another reason to continue to avoid the market.

However, sentiment towards the FRN market has improved substantially over the past year. Syndicate managers say that one of the main factors has been a fall in swap spreads against US Treasuries over the past year. This has limited the number of arbitrage opportunities.

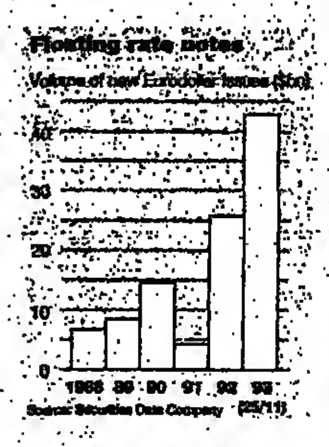
As a result, it has often been difficult for borrowers to issue in the fixed-rate market and swap the proceeds into a floating rate below the London interbank offered rate (Libor). Therefore, an increasing number of borrowers has returned to the FRN market, where attractive funding rates are available.

At the same time, there has been a rise in demand for FRNs from institutional and retail investors. Both categories of investor have been attracted by the yield spread over Libor which the notes offer.

Banks hungry for assets have been keen buyers of FRNs, while FRNs issued by sovereign borrowers have been bought by central banks. In addition, the low interest rate environment has increased the attraction of FRNs in the eyes of retail investors wanting to preserve their income.

Syndicate managers say if US rates do rise next year, as many economists predict, the investment appeal of FRNs should increase. This in turn should enable the market's liquidity to continue to improve.

The defensive nature of the notes should provide investors with a greater degree of capital protection than fixed-rate bonds, when interest rates are rising.



Since the coupon on the notes is linked to Libor and is re-set every three months, the coupon will rise in line with yields in the market.

The strong investor demand has contributed to the improvement in the spreads which borrowers have to pay over Libor. It has also enabled the notes to perform well in the secondary market.

For example, the spread over Libor on Italy's $2bn offering of five-year FRNs has tightened to around 19 basis points from just over 30 basis points at the launch in June.

As well as Italy, Sweden and Denmark have raised relatively large amounts in the FRN market this year. Syndicate managers say the return of sovereign borrowers has helped to restore credibility to the market.

"The jumbo issues of this year show that sovereign borrowers are now able to get decent sub-Libor funding in decent size," says Mr Tim Skeet, senior vice-president on the syndicate desk at Kidder Peabody, one of the leading players in the FRN market.

Syndicate managers believe that spreads will continue to tighten over the next year, and that sovereign borrowers should be able to raise funds below Libor minus ⅛, the benchmark established by Denmark in August when it raised $1bn through an offering of four-year FRNs.

The only potential problem looming over the market is a lack of fee discipline among the investment banks, especially those who are keen to pick up market share now that FRNs have become fashionable again.

"The market is definitely back, but not to the extent that Commerzbank can sell notes at Libor plus one basis point," says one FRN specialist at an American bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Wakachiku‡§	70	Dec.2003	3.50	100.00	-	-	Jardine Fleming
Santander Intl. (Cayman)‡	300	Dec.1998	(a)	99.63R	-	-	SBC/Santander de Neg.
Toyota Motor Finance (Neth.)	300	Dec.1995	4.50	99.095R	4.842	+22 (4¼%-95)	Merrill Lynch Intl.
[illegible]	250	Dec.2003	8.125§	98.550R	-	246 (5¾%-03)	Salomon Brothers Intl.
[illegible]‡‡	32	Dec.1998	(b)	100.00	-	-	IBJ International
Cable & Wireless	400	Dec.2003	6.50	98.57R	6.701	+73 (5¾%-03)	JP Morgan Securities
Gas Argentino(d)	130	Dec.1996	7.25§	94.5263R	8.75	+361 (5½%-96)	Chem.Inv/J S.Mortgage
Financiera Energetica Nacional	100	Dec.1996	6.625§	98.72R	6.730	+215 (4½%-96)	JP Morgan Securities
Empresas [illegible]	50	Dec.1996	6.75§	98.80R	8.827	+425 (4½%-96)	Cred.Lyonnais Euro.
Henderson Land Finance	300	Dec.1998	6	98.158	6.203	-	Goldman Sachs
AB Bank Intl.†	150	Dec.1998	(b)	99.77R	-	-	Swiss Bank Corp.
City of Uppsala†	110	Dec.1998	(b)	99.6875R	-	-	Nomura Intl.
CSAV	100	Dec.2003	7.375	98.94R	7.471	+170 (5¾%-03)	Citibank Intl.
Gota Bank†	100	Dec.1998	(b)	99.77R	-	-	Chemical Inv. Bank
Sumitomo Bank Cap.Mkts.†	75	Dec.2003	(b)	100R	-	-	Sumitomo Finance
D-MARKS							
Kamigumi Co.‡◆	450	Dec.1997	1.625	100.00	-	-	Nomura Bank (Deutsch.)
Norddeutsche Landesbank Fin.	1bn	Jan.2004	6.00	99.07R	6.127	+31 (6%-03)	Lehman Brothers Bank
Exim Bank of Japan	800	Dec.2003	5.875	99.035R	6.006	+18 (6%-03)	IBJ (Deutschland)
Unilever	200	Jan.1997	6.25	100.50	5.958	-	Commerzbank
Province of Ontario(e)	1.5bn	Jan.2004	6.25	98.58R	6.320	+46 (6%-03)	CSFB EE/Deutsche Bk.
SGZ-Bank Intl.(Lux)††	100	Dec.1998	(e)	100.75	-	-	SGZ Bank
STERLING							
Healthcare Operators Gp 10†‡	135	Nov.2021	(f)	99.67R	-	-	SG Warburg Securities
YEN							
Marubeni Corp.(f)	10bn	Mar.1999	3.20	100.15R	-	-	Fuji Intl. Finance
Marubeni Corp.	10bn	Mar.1998	3	100.36R	2.909	-	Bank of Tokyo
Honda Motor Co.	50bn	Mar.2001	3.80	100.32R	3.750	-	Nikko Europe
Salomon Inc.(i)	30bn	Mar.1998	(i)	100R	-	-	Salomon Intl.
Sumitomo Realty & Dev.	30bn	Dec.2003	3.80	100.025R	3.80	-	Nikko Europe
Sumitomo Realty & Dev.	20bn	Dec.1997	3.05	100.20R	3.00	-	Daiwa Europe
Sumitomo Realty & Dev.	30bn	Dec.1999	3.55	99.875R	3.57	-	Daiwa Europe
FRENCH FRANCS							
Crédit Local de France‡§	500	Dec.1997	5.35	100.00	-	-	CDC
SNCF(a)	3.0bn	Nov.2005	6	95.49R	6.410	(j)	Credit Lyonnais
Ville de Paris	1bn	Dec.2001	5.875	98.22R	6.00	+19 (8½%-03)	Credit Commercial France
PESETAS							
European Investment Bank	20bn	Dec.1998	7.9	101.39	7.556	-	Banco Bilbao Vizcaya
GUILDERS							
VSB Group	250	Jan.2004	6.25	100.35R	6.02	-	KBW Effectenbank
AUSTRALIAN DOLLARS							
Treasury Corp.of Victoria(m)	500	Dec.1996	6.50§	99.654R	6.580	-12 (m)	Merrill Lynch Intl.
AUSTRIAN SCHILLINGS							
Republic of Venezuela	1bn	Dec.1995	8.00	100.80	8.028	-	Creditanstalt-Bankverein
SWISS FRANCS							
[illegible] Co.(b)★◆	250	Dec.1997	0.625	100.00	-	-	UBS
Aiwa Co.◆§★	200	Mar.1998	0.125	100.00	-	-	UBS
Wakachiku Const. Co.(c)◆★	150	Dec.1997	0.50	100.00	-	-	Nomura Bank (Switz.)
Bayerische Vereinsbank	100	Jan.1998	4.00	102.00	3.460	-	Bank von Ernst & Cie
D-Benz Nth.America(q)★◆	100	Jan.2002	2.50	99.875	-	-	Deutsche Bank (Suisse)
[illegible] Co.(t)★	130	Dec.1997	0.625	100	0.625	-	Daiwa Secs.
City of Vienna★	100	Dec.1995	4	101.75	3.020	-	Merrill Lynch
GECC	150	Dec.2003	4.125	102.75	3.79	-	SBC

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ◆With equity warrants. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denom.: SFr50,000 + 50 warrants. Exercise price: Y3014. FX: [illegible] Conversion price Y1815. Fx: 83.4Y/SFr. c) Denom.: SFr50,000 + 50 warrants. Callable on 2/12/95 at 102% declining ½% semi-annually. d) Exercise period 11/1/94 until 9/12/97 Fixing on 1/12/93 e) Coupon pays 3-month Libor flat. f) Short 1st coupon. g) Redemption proceeds linked to CAC-40 by formula: (final CAC)/(1.2 x initial CAC). h) Coupon pays 6-month Libor + 1%. Y2bn of Tranche 6 FRNs also issued. Both tranches are callable and puttable. i) Conversion price: [illegible] FX: [illegible] Callable after 2 years at accreted value and after 5 years at par. Puttable in 5 years at 115%. j) Exercise price Y1169. FX: 64.25Y/DM. k) Additional rate of return linked to the profits of Metrogas (70% owned subsidiary) which ranges from zero to 2.5% of the face value of the bonds each year. Callable in 4 years at 98.2986%. Equal amortisation in months 48 and 60. l) Class A notes. Issue is conditional on S&P AAA rating. Short 1st coupon. Callable on any interest payment date from Nov.1995 at par. Average life 5.2 years. Class B notes offered separately. m) Global issue. Spread is with State Electricity Commission of Victoria 12% domestic bond due Oct.1996. n) Denom.: SFr50,000 + 145 3-year warrants. 4 warrants entitle holder to 1 Daimler-Benz share at DM685. o) Coupon pays 3-month Libor plus 20bp. [illegible]

Paribas plans Axime bid after lifting stake to 50%

By Alice Rawsthorn in Paris

Paribas, the prominent French banking group, plans to extend its portfolio of industrial investments by taking control of Axima, an information services company.

On Friday, Paribas bought a 13.2 per cent stake in Axime for FFr98.7m ($16.7m) from a group of institutional investors thereby raising its holding to 50.4 per cent. It announced plans to make an offer for the remaining shares in the company, apart from the 28 per cent stake held by Compagnie Générale des Eaux, the utilities group.

Générale des Eaux plans to hold on to its Axime stake. Paribas has offered FFr280 a share for the remaining equity which is divided between private and institutional investors. Axime is valued at FFr748m on the offer price.

Paribas, which has interests in the information services field through the SEMA Group, said the offer for Axime formed part of its policy of becoming the controlling shareholder in "companies that we consider have high growth potential".

Paribas has in recent years pruned its industrial portfolio by ceding some of its peripheral minority interests.

Axime, which operates a payment system for tele-marketing and direct marketing services as well as providing general information services, has had a difficult time in recent years as a result of the pressures on the French market place.

However, the company, which employs 2,400 people, is recovering after rationalising and restructuring its interests.

It recently announced that it returned to the red with a net profit of FFr65m, on sales of FFr1.9bn, in the 12 months to June 30 after making a net loss of FFr82m in the previous year.

Italian banks agree takeover

By Haig Simonian

Banca Popolare di Verona, a big north Italian regional bank, has reached agreement to take a controlling interest in Banco San Geminiano e San Prospero, a similar-sized rival, for about L1,040bn ($600m).

The accord, reached late on Thursday, ends Italy's first hostile bank takeover bid and comes at a time of unprecedented ferment among regional banks.

Last week, Deutsche Bank agreed to buy Banca Popolare di Lecco, a 100-branch regional bank located just north of Milan, at an estimated total cost of L840bn. Separately, the Parma savings bank, which has expanded through a series of local mergers, is in talks to buy Credito Commerciale, another Milan-based regional institution.

The San Geminiano deal, in which the bank called in Schroders of the UK as its adviser, was a cliffhanger until the last minute, with two other potential suitors waiting in the wings. However, San Geminiano's board eventually decided to accept a greatly improved offer from the Veronese after a tough contest.

Banca Popolare di Verona will now buy an estimated 60-65 per cent of Banco San Geminiano, rather than the 47 per cent originally planned.

The increase stems from a commitment to buy all the stock tendered by shareholders owning less than 1,000 shares, rather than a partial purchase.

That commitment, and an earlier decision to raise the offer price to L200,000 a share from L180,000, effectively clinched the deal, along with guarantees on boardroom representation for San Geminiano.

Ilva to sell holding in steel tubes business

By Haig Simonian in Milan

Ilva, the Italian state-owned steel group which is being liquidated as part of a large restructuring, is to sell its 86.4 per cent stake in Dalmine, the world's third-biggest manufacturer of seamless steel tubes.

Barclays de Zoete Wedd, the securities arm of Barclays Bank, has been given the mandate to find a buyer as part of the urgent need to raise cash for Ilva and privatise its operations.

Demonstrating that meaningful parts of the Ilva group are being privatised will be a significant boost to the arguments being used by Italian negotiators in their battle of wills with the European Commission in Brussels over state aid and capacity cuts.

Dalmine, which is based near the north Italian city of Bergamo, is listed on the stock market and profitable. Net group earnings last year amounted to L5.6bn ($3.4m) on sales of L1,016bn.

The company, which trails Mannesmann of Germany and Sumitomo of Japan in seamless tubes, last year delivered 746,000 tonnes of steel.

In recent months, Ilva has been buying out some of the minority partners in Dalmine, ostensibly to prepare for the sale of a large stake. Bankers have hesitated to put a value to the holding in view of the current crisis in the European steel industry.

Ilva, which is formally in liquidation, is being split into two companies. The first, specialising in flat products, will comprise the group's big Taranto integrated steelworks and the Novi Ligure plant, while the second will be based on the Terni special steels unit.

Ilva lost L2,309bn last year on group sales of L10,087bn. The company, which is planning to shed about 11,600 jobs, had net debts of L7,500bn at the end of June.

Lebanon offers a part in its future

The country has turned to capital markets, writes **James Whittington**

Lebanon's struggle for self-renewal after 17 years of devastating civil war marks a new approach to the financing of development in the Middle East.

Gone are the days when Lebanon's pressing needs to rebuild its infrastructure could be achieved by funds from generous oil-producing states in the Arab world and sympathetic Western countries.

The industrialised world is jittery about recession, and the big Gulf states are pensively examining huge budget deficits as oil prices continue to fall. Donor money is plainly in short supply. As a result, the Lebanese government has been forced to seek alternatives to finance its reconstruction programme, priced at $14bn in real terms over 10 years.

It is asking private investors to buy a stake in Lebanon's future. On November 1, Solidere, a $1.5bn property company set up to rebuild the centre of Beirut, launched a $650m Arab equity offering, one of the biggest share issues in the region.

A few weeks later, the government announced plans to raise $300m by issuing Eurobonds to develop the mainly Shi'ite southern suburbs of Beirut, and a road network.

Mr Riad Salameh, Lebanon's new central bank governor, said he is confident the Eurobonds will be well received when they are issued in "the next few weeks". He expects Lebanon's low foreign debt of around $800m, or 10.6 per cent of GNP, and the government's "credibility" to ensure the issue's success.

Lebanon has not defaulted on any international loans since the start of the civil war in 1975. In Mr Rafik Hariri, it has a prime minister with a proven track record in business and one of the strongest financial teams in the region. The country also has gold reserves worth around $3.8bn, although Lebanese law forbids the government from either selling or pledging the asset.

Mr Salameh explained that no manager had yet been appointed to arrange the offering, but Merrill Lynch, the US securities house, and Banque Paribas, the French bank, have both been approached. He said the bonds were likely to be priced to yield between 350 and 400 basis points over US treasuries.

The governor, who joined the central bank in August from his post as vice-president of Merrill Lynch in Paris, said that under the present climate of international belt-tightening, Lebanon will have to rely on capital markets and equities to finance much of its rehabilitation.

"I think that if the Eurobond issue is successful, then it will be one of the main ways to raise capital for Lebanon. We might have some syndicated loans but would prefer to go to capital markets," he said.

The launch of shares in Solidere appears to have met a strong response. Mr Abdel-Hafiz Mansour, deputy general manager of the company, expects the offer to be oversubscribed.

Existing land and property owners of the 165 acre area in the centre of Beirut earmarked for development will be given priority in the allocation of shares. They will be followed in pecking order by Lebanese residents, government institutions, Lebanese expatriates living abroad, and citizens of Arab states who, it is expected, will include many prominent Saudis.

A maximum 10 per cent individual stake will ensure no single shareholder can take overall control of the company, and the subscription remains open until January 10. The cash raised will be used to finance the first phase of redevelopment of what used to be Beirut's bustling commercial centre.

Mr Salameh explained Lebanon's reconstruction programme – named Horizon 2000 – would be 70 per cent financed by the private sector and 20 per cent by foreign aid and loans.

By his estimates, Lebanon will have to borrow $2.8bn in external finance over the 10-year period "which is reasonable considering GNP [put at $7.5bn for 1993 by the central bank] and the economic expansion planned for the next five years," he said. The rest will come from government revenues and internal borrowing.

Donor commitments to date do not exceed $1.4bn, including $175m from the World Bank. A Bank-sponsored consultative group meeting planned for December is expected to result in more aid.

However, Lebanese officials admit that since the historic agreement signed between the Palestine Liberation Organisation and Israel in September, available funds for Middle East development are likely to be pledged to the occupied territories rather than war-torn Lebanon.

In the light of this, Mr Hariri's big gamble is that once the reconstruction ball starts rolling, with finance raised by capital markets and donor countries, then Lebanese expatriates holding overseas assets of between $30bn and $40bn will keep up the momentum through investment and remittances.

In this way, it is likely that market forces will determine the future of Lebanon.

Chinese power plant project

Sembawang Resources, part of the Singapore government-controlled Sembawang group of companies, has signed an agreement with companies in China to develop a S$1.9bn (US$1.2bn) power plant in Ningbo, a coastal city in Zhejiang province, writes Kieran Cooke.

Under the deal, Sembawang will organise international capital, in the form of both equity and loans, to develop the 2,400MW coal-fired plant at Ying Long Shan, about 40km south-east of Ningbo.

Berjaya in Hyundai deal

By Kieran Cooke in Kuala Lumpur

Berjaya, one of Malaysia's fastest expanding conglomerates, has signed an agreement with the Hyundai Motor of South Korea to produce commercial vehicles for Malaysia's domestic market and for export.

The joint venture company, described as a Malaysian national commercial vehicle project, will assemble, distribute and service right-hand versions of Hyundai's lightweight trucks.

The partners say they expect to produce 10,000 light trucks a year in Malaysia, beginning in 1995.

Dr Mahathir Mohamad, the Malaysian prime minister who was present at a signing ceremony at the weekend, called on South Korean companies to invest more in Malaysia.

Berjaya, which is controlled by Malaysian Chinese entrepreneur Mr Vincent Tan, has a 20 per cent stake in the project while an affiliated company will hold a similar stake.

Henkel hit by costs of early retirement plan

By Ariane Genillard in Bonn

Pre-tax profits at Henkel, the German chemicals, cosmetics and cleaning products group, fell by 16 per cent to DM422m ($251.2m) in the first nine months of the year.

Mr Hans Dietrich Winkaus, chief executive, said the decline was partly due to extraordinary expenses to pay for the early retirement of workers in 1993 and 1994. The company plans to cut 1,300 jobs by the end of 1994, of which 1,000 will be in Germany.

Sales for the period fell 2 per cent to DM10.5bn. The decline was mostly the result of currency fluctuations, Mr Winkaus said. Without this, sales would have improved by 0.4 per cent for the nine months.

The chief executive said he expected sales for the whole year to show a 2 per cent decline, despite earlier statements this year predicting turnover would remain constant.

Depressed demand caused sales for period to drop 8 per cent in Europe.

Bank of Nova Scotia raises dividend by 6%

By Bernard Simon in Toronto

Bank of Nova Scotia has raised its quarterly dividend after posting a 6 per cent rise in fiscal 1994 earnings.

The bank, Canada's fourth-biggest, attributed the higher earnings to a combination of strong investment banking revenues, a 10 per cent growth in assets, an improved developing world loan portfolio, and tight cost controls.

Net earnings advanced to C$714m (US$553.5m), equal to C$2.98 per common share, in the year to October 31, from C$676m, or C$2.94 a share, a year earlier. A larger number of shares outstanding pushed the return on equity down to 14.4 per cent from 15.7 per cent.

The quarterly dividend has been raised from 28 to 29 cents a share.

Loan-loss provisions rose to C$465m from C$449m. The latest figure includes a C$300m reversal of developing world loan provisions, of which half was re-allocated to specific provisions for other borrowers.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 26 / Sch)

BELGIUM/LUXEMBOURG (Nov 26 / Frs)

DENMARK (Nov 26 / Kr)

FINLAND (Nov 26 / Mkk)

FRANCE (Nov 26 / Frs)

GERMANY (Nov 26 / Dm)

ITALY (Nov 26 / Lire)

NETHERLANDS (Nov 26 / Fls)

NORWAY (Nov 26 / Kroner)

SPAIN (Nov 26 / Pta)

SWEDEN (Nov 26 / Kronor)

SWITZERLAND (Nov 26 / Frs)

PACIFIC

JAPAN (Nov 26 / Yen)

AUSTRALIA (Nov 26 / Aus$)

HONG KONG (Nov 26 / H.K.$)

MALAYSIA (Nov 26 / MYR)

SINGAPORE (Nov 26 / S$)

NORTH AMERICA

CANADA

TORONTO (Nov 26 / Can $) 4 pm close

MONTREAL (Nov 26 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Nov 26 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, November 26, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	4.5m	310	-9	Dai Ichi Kangyo Bk	2.8m	2,020	-100
Hitachi	3.2m	761	-20	NKK	2.7m	230	-
Sakura Bank	3.1m	1,420	-130	Sumitomo Mt Ind	2.7m	752	-30
Hitachi Zosen	2.9m	482	-15	Ind Bank Japan	2.7m	2,990	-180
Bank of Tokyo	2.9m	1,530	-130	Sumitomo Bank	2.6m	2,060	-110

INDICES

	Nov 26	Nov 25	Nov 24	1993 High	1993 Low
Argentina					
General (29/12/77)	(u)	17009.4	17220.5	18367.80 22/10	12167.86 8/3
Australia					
All Ordinaries(1/1/80)	2043.1	2042.0	2032.4	2132.40 1/11	1496.00 13/1
All Mining(1/1/80)	901.8	890.1	879.5	984.60 2/8	584.70 13/1
Austria					
Credit Aktien(30/12/84)	403.27	404.76	404.33	424.59 2/11	300.28 14/1
Traded Index(2/1/91)	1047.16	1054.07	1049.01	1094.43 2/11	712.66 15/1
Belgium					
BEL20 (1/1/91)	1332.17	1335.83	1334.03	1408.83 16/11	1125.46 4/1
Brazil					
Bovespa (29/12/83)	(u)	27637.0	27013.0	27300.00 26/8	714.72 4/1
Canada					
Metals & Minls(1975)	3274.72	3309.39	3274.33	3280.64 23/11	2743.31 21/1
Composite (1975)	4220.60	4229.30	4223.30	4302.80 12/11	3275.80 21/1
Portfolio (4/1/83)	2018.09	2019.87	2014.32	2027.41 11/11	1720.97 21/1
Chile					
IPGA Gen (31/12/80)	(c)	3372.99	3356.50	3372.99 26/11	2812.59 16/5
Denmark					
CopenhagenSE(3/1/83)	344.63	344.09	348.44	358.14 4/11	261.86 4/1
Finland					
HEX General(28/12/90)	1524.0	1531.2	1513.7	1607.70 3/11	843.10 22/1
France					
CAC General(31/12/81)	597.01	584.68	580.28	608.73 26/10	471.24 13/1
CAC 40(31/12/87)	2120.62	2118.40	2070.61	2231.86 22/10	1772.21 29/1
Germany					
FAZ Aktien(31/12/58)	788.25	785.61	783.94	803.81 18/11	598.92 14/1
Commerzbank(1/12/53)	2253.5	2245.6	2240.0	2309.40 3/11	1804.30 14/1
DAX (30/12/87)	2047.24	2047.71	2029.55	2085.58 2/11	1516.50 13/1
Greece					
Athens SE(31/12/80)	841.42	851.98	865.71	944.44 13/8	667.72 5/1
Hong Kong					
Hang Seng(31/7/64)	9274.42	9296.31	9238.08	9733.34 15/11	5437.80 4/1
India					
BSE Sens.(1979)	3233.1	3077.5	3053.3	3233.10 26/11	2109.67 23/4
Indonesia					
Jakarta Comp.(10/8/82)	522.42	524.20	523.83	536.48 22/11	273.31 5/1
Ireland					
ISEQ Overall(4/1/88)	1788.80	1788.32	1770.28	1849.27 3/11	1191.18 11/1
Italy					
Banca Comm Ital (1972)	541.52	536.08	528.27	632.88 30/8	448.33 8/1
MIB General (4/1/93)	1193.0	1182.0	1161.0	1386.00 30/8	982.00 11/1
Japan					
Nikkei 225 (16/5/49)	16726.37	17222.92	17067.11	21148.11 13/9	16287.45 25/1
Nikkei 300 (1/10/82)	264.16	273.03	272.33	308.84 10/11	264.16 26/11
Topix (4/1/68)	1424.54	1471.85	1466.04	1698.67 3/9	1250.06 25/1
2nd Section (4/1/68)	1857.40	1905.87	1927.13	2394.97 7/6	1651.22 26/1
Malaysia					
KLSE Comp(4/4/86)	976.34	970.31	970.30	989.40 22/11	614.28 13/1
Mexico					
IPC (Nov 1978)	(u)	2231.14	2184.07	2231.14 26/11	1694.16 25/2
Netherland					
CBS TtlRtnGenEnd 83)	406.7	406.4	403.6	419.30 4/11	295.70 4/1
CBS All Shr (End 83)	253.8	253.4	251.6	272.00 4/11	195.80 13/1
New Zealand					
Cap. 40 (1/7/86)	2058.20	2080.31	2058.45	2293.89 2/11	1495.37 21/1
Norway					
Oslo SE(Ind)(2/1/83)	984.57	982.78	993.04	1030.73 18/11	689.93 27/1
Philippines					
Manila Comp (2/1/85)	2375.59	2350.00	2372.40	2487.50 3/11	1270.86 4/1
Portugal					
BTA (1977)	2553.4	2583.5	2567.9	2800.00 9/9	1808.20 14/1
Singapore					
SES All-S'pore(2/4/75)	548.63	546.97	545.62	584.38 1/11	394.18 13/1
South Africa					
JSE Gold (28/9/78)	1902.0	1900.0	1869.0	2098.00 30/7	775.00 8/1
JSE Ind. (28/9/78)	4860.0	4847.0	4851.0	4891.00 19/11	4033.00 19/4
South Korea					
KoreaCompEx(4/1/80)**	810.04	816.42	828.98	848.47 20/11	605.88 6/3
Spain					
Madrid SE (30/12/85)	297.91	295.70	294.51	310.28 22/10	235.80 4/1
Sweden					
AffarsvardnGen (1/2/37)	1312.6	1314.0	1312.00	1436.18 4/11	878.10 29/1
Switzerland					
Swiss Bk Ind (31/12/58)	1192.65	1188.14	1181.68	1192.65 26/11	804.80 11/1
SBC General (1/4/87)	940.90	936.32	931.03	940.90 26/11	678.70 11/1
Taiwan					
WeightedPr.(30/6/66)**	4183.99	4198.52	4188.88	5013.29 7/4	3098.43 9/1
Thailand					
Bangkok SET (30/4/75)	1309.57	1309.26	1321.67	1380.84 12/11	818.84 1/6
Turkey					
Istanbul Comp.(Jan 1986)	17428.1	17195.1	16721.6	17428.10 26/11	3866.83 1/1
WORLD					
MS Capital Int (1/1/70)	577.4*	582.7	581.7	587.10 15/10	486.80 13/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1346.66	1343.06	1329.41	1366.16 22/10	1063.02 13/1
Euro Top-100 (26/6/90)	1133.80	1132.80	1117.68	1178.46 22/10	882.73 13/1
JCapeDrgns (31/12/88)	(u)	306.98	308.00	308.71 12/11	188.92 4/1
Barings Emerg.(7/1/92)	143.53	142.11	142.30	144.78 19/11	98.81 4/2

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Nov	2136.0	2121.0	-2.00	2136.0	2118.0	292	19,867
Dec	2147.5	2134.5	-2.00	2150.5	2132.0	26	46,740
Jan	2159.0	2145.5	-2.50	2159.0	2142.0	-	416
Mar	2173.0	2167.0	-2.00	2178.0	2169.0	-	14,386

Open interest figures for previous day

** Sat Nov 20 : Taiwan Weighted Price 4247.00, . Korea Comp Ex 846.47; Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals: 5 Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 20 Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10 §§ Montreal ♦ Toronto. (c) Closed. (u) Unavailable. ♥ Subject to official recalculation.

US INDICES

Dow Jones	Nov 26	Nov 24	Nov 23	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3683.95	3687.58	3674.17	3710.77 (18/11)	3241.95 (20/1)	3710.77 (19/11/93)	41.22 (2/7/32)
Home Bonds	108.59	108.63	108.61	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1739.88	1711.04	1683.31	1789.96 (16/11)	1453.84 (4/1)	1758.86 (16/11/93)	12.32 (8/7/32)
Utilities	227.00	226.34	225.88	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3703.23 (3708.94) Low 3660.75 (3664.33) (Theoretical♦)
Day's high 3697.36 (3690.37) Low 3675.88 (3672.21) (Actual♦)

Standard and Poors	Nov 26	Nov 24	Nov 23	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	463.06	462.36	461.03	468.50 (15/10)	429.05 (8/1)	468.50 (15/10/93)	4.40 (1/6/32)
Industrials†	535.87	535.87	534.42	540.25 (16/11)	496.40 (26/4)	540.25 (16/11/93)	3.62 (21/6/32)
Financial	43.27	43.04	43.06	46.40 (28/8)	38.88 (8/1)	46.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	255.61	255.13	254.24	260.46 (15/10)	236.21 (8/1)	260.46 (15/10/93)	4.40 (25/4/42)
Amex Mkt Val	463.47	463.61	461.04	484.26 (2/11)	395.84 (8/1)	484.26 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	754.87	753.18	746.82	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Nov 10	Nov 12	Nov 5	Year ago
Dow Jones Ind. Div. Yield	2.71	2.80	2.77	3.10
	Nov 24	Nov 17	Nov 10	Year ago
S & P Ind. Div. yield	2.40	2.38	2.40	2.85
S & P Ind. P/E ratio	27.14	26.86	26.69	27.71

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	463.50	463.15	+0.25	464.40	463.00	29,576	188,049
Mar	465.25	464.20	+0.25	465.50	464.10	914	14,028
Jun	466.60	465.25	+0.25	466.60	465.10	20	2,037
Sep	-	466.55	+0.25	466.10	-	1	439

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	2,410,100	58⅞	+1¼
Paramount	1,791,000	79⅞	-⅛
IBM	1,211,800	55	+⅜
Texaco	1,055,500	63⅞	-1⅛
Exxon	1,038,900	61¼	-1½
Philip Morris	944,100	56⅝	+⅜
Rdng Bates	924,300	7	-⅛
Tex Util	887,100	44⅞	-⅛
Phillips Pet	875,900	28⅝	-1⅛
Chevron	872,100	85⅝	-4

■ TRADING ACTIVITY

Volume (million)	Nov 26	Nov 24	Nov 23
New York SE	90.112	228.293	259.237
Amex	7.594	14.361	20.410
NASDAQ	(u)	260.057	279.549
NYSE			
Issues Traded	2,448	2,884	2,877
Rises	1,120	1,222	1,164
Falls	880	774	908
Unchanged	668	888	815
New Highs	33	27	17
New Lows	19	32	76

⊕ Correction. * Calculated at 15.00 GMT. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

[illegible] Unit Trust Prices [illegible] dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

[illegible]

PDFM Unit Managers Ltd

[illegible]

Rothschild Asset Management

	Bid Price	Offer Price	Yield Gross	City-Line
NC Property		144.84	–	48464

J. Rothschild Fund Managers Ltd.

	Bid Price	Offer Price	Yield Gross	City-Line
Intl Exempt Accum	198.2	198.8	0.93	44035

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Saints PPP Nov 12	408.5	427.8	–	41482

Thornton Unit Managers Ltd

[illegible]

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

[illegible]

Barclays Life Assur. Co Ltd - Contd.

[illegible]

Combined Life Assurance Co

15 Wheatfield Way, Kingston upon Thames, Surrey KT1 2PA. 081-546 7730

[illegible]

Commercial Union Group

St Helen's, 1 Undershaft, London EC3 071-283 7500

[illegible]

General Portfolio Life Insce Plc - Contd.

[illegible]

Legal & General

[illegible]

Manchester Unity Assurance - Contd.

[illegible]

Pearl Assurance - Contd.

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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...REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

MARKETS REPORT

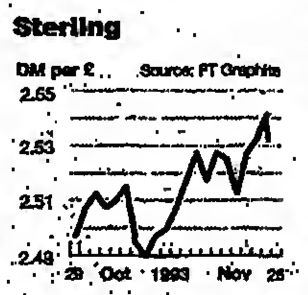
Pound falls on profit taking

Surprise news last Tuesday that base rates in the UK were finally coming down after 10 months had the surprising effect of boosting sterling writes *Peter John.*

The pound rose sharply against the D-Mark as investors who had already hedged their positions against lower rates responded positively to the possible boost to growth rather than the direct impact of lower interest rates on the currency. However, by Friday, the gains were looking overdone and the pound finally succumbed to profit-taking to close at DM2.5325.

■ The dollar continued to move in a tight range against the D-Mark of between DM1.68 and DM1.72 but dealers said it was persistently showing "upside pressure". Much depends on key non-farm payroll data for November due on Friday. The jobs figures are considered to be the most important pointer to US economic trends and economists are looking for a rise over the month of up to 200,000 jobs. A higher figure could see the US currency heading for DM1.74.

Sterling



■ Pound in New York

[illegible]

FIXED INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

[illegible]

STOCK INDICES

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BANK RETURN

[illegible]

ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,378,565,923	+143,614,913
Notes in Banking Department	11,434,077	+6,385,087
	17,390,000,000	+150,000,000
Assets		
Government debt	11,015,000	
Other Government securities	6,909,327,987	-606,810,858
Other Securities	10,469,656,919	+756,810,858
	17,390,000,000	+150,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Duncan Lawrie	6	●Rea Brothers	6
Allied Trust Bank	6	Exeter Bank Limited	7	* Roxburghe Bank Ltd	6
AIB Bank	6	Financial & Gen Bank	7	* (in administration)	
●Henry Ansbacher	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Bank of Baroda	6	Girobank	6	●Smith & Williamson Secs	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	TSB	6
Bank of Ireland	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of India	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Bank of Scotland	6	●Hill Samuel	6	Western Trust	5.5
Barclays Bank	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
Brit Bk of Mid East	6	Hongkong & Shanghai.	6	Wimbledon & Sth West	7
●Brown Shipley	6	Julian Hodge Bank	6	Yorkshire Bank	6
CL Bank Nederland	6	●Leopold Joseph & Sons	6		
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	* Mount Banking	6		
Coutts & Co	6	* (in administration)			
Credit Lyonnais	6	NatWestminster	6		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contracted rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		19⅝	–	60c	FeMyAuNv	11.10	1503
Allegheny & W	♥	454p	1.1	30c	–	–	–
AmeriGas		361p	10.2	6c	NvFeJeAu	31.1	–
Amer Cyanamid		35¼	[illegible]	$1.75	MrJeSeDe	4.9	–
Amer Express		20⅝	[illegible]	$1.00	FeMyAuNv	6.10	1584
Amer T & T		37⅜	-1.5	$1.32	FeMyAuNv	29.6	1597
AmeriTech		51⅝	-1.9	$3.68	FeMyAuNv	28.3	–
Anheuser-Busch		33⅝	6.4	Q$1.44	MrJeSeDe	4.11	1620
BankAmerica		29¼	[illegible]	$1.40	MrJeSeDe	18.11	1744
Bankers NY		60½	[illegible]	$3.12	AaJyOcJa	1.16	1745
Bell Atlantic		39¼	-2.5	$2.68	FeMyAuNv	4.7	–
BellSouth		37⅛	6.9	$2.76	FeMyAuNv	5.4	–
Bethlehem Steel	♥	11⅝	-1.1	–	MrJeSeDe	6.2	1821
Bowater		1345p	[illegible]	60c	OcJaAcJy	6.9	1684
CPC		31⅛	-2.8	$1.28	JaApJyOc	27.6	2263
California Engy		1191p	[illegible]	–	–	–	–
Chase Manhattan		22⅛	1.6	$1.20	FeMyAuNv	28.10	2109
Chrysler		36⅛	-3.3	60c	[illegible]	10.8	2135
Citicorp		23½	[illegible]	–	–	23.16	2141
Colgate-Palm		39⅛	-1.1	$1.44	FeMyAuNv	20.16	2154
Cont'l Bank		1673p	2.4	80c	DeMrJeSe	31.5	–
Dana		36⅛	-4.5	$1.60	MrJeSeDe	28.11	2336
Data General		647p	-9	–	–	–	–
Decora Inds.	♥	100p	–	–	–	–	–
Dun & Brad		40	[illegible]	$2.44	MrJeSeDe	13.2	–
Eaton		34⅛	[illegible]	$1.20	FeMyAuNv	2.2	2470
Echlin		22⅛	-2.9	70c	JaApJyOc	1.16	3246
FPL		24⅝	[illegible]	$2.48	MrJeSeDe	24.8	–
Ford Motor		41	-2.1	$1.60	MrJeSeDe	27.16	2615

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

STORES

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Glencar Expl IE	11	—	–	–	–	–	–
Greenwich Res	15¼	—	–	–	–	–	2773
Hemlo Gold C$	[illegible]	-1.6	020c	–	Dec Jun	8.11	–
Ivernia West IE	39	11.4	–	–	–	–	–
Kells Mins IE	14	7.7	–	–	–	–	3741
Kenmare	9½	—	–	–	–	–	1453
Malinga Res	0	—	–	–	–	–	–
Navan Res IE	104	5.1	–	–	–	–	1662
5pc Ln Notes	85	5.9	–	–	–	–	–
Oryx Gold	45	—	–	–	–	–	3086
Ovoca Res IE	10	—	–	–	–	–	1470
RTZ	709	4.7	27.6	1.7	Dec Aug	7.6	3880

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. 9 Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: BSM (Business Servs), Wiggins (Contrg Cstrn), Virtuality (Elctrncs), Cantab Pharm and Scotia (Hlth & HseHold), BZW End Fund and Gartmore Shared Equity Ord & Zero Pf (Inv Tsts), CentrGold (Media), Rothmans Units (Miscl), Vanguard (Oils) and Vendome Luxury (Stores). Deletions: Breakwater Res (Canadians), Pantheon Wts (Inv Tsts), Aegis 3/4pc Pf (Media), Cambridge Grp (Other Fincl) and Wentworth (Packg & Pap).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT9447. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 36p per minute cheap rate and 48p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4pm November 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR	0.48	3.5	681	71	13¾	13⅝	13⅝	-⅛
29½	13½	A L Labs A	0.18	1.3	31	32	13¾	13⅝	13¾	-⅛
67¼	54⅜	AMP	1.60	2.8	20	508	58⅛	57⅞	58⅛	-¼
72¾	55½	AMR			53	3051	67⅛	65⅞	67¾	+1¼
3⅞	1¾	ARX			12	170	3⅛	3	3⅛	
31½	28⅜	ASA x	2.00	4.4	30	370	47⅛	45½	45⅝	-1½
30¾	22⅝	AbbtL	0.68	2.3	17	2473	29⅝	29	29¼	+⅛
12⅝	8¼	AbitibiPr	0.50	4.7	0	5	10¾	10¾	10¾	
15⅝	8¼	Acapulco			26	z100	12⅛	12⅛	12⅛	+⅛
36	25½	ACE Ltd	0.40	1.4	5	47	29⅛	29⅛	29⅛	-⅛
12	10¼	ACM Gvt In	1.09	9.1		51	u12	11⅞	12	+⅛
10⅛	9⅛	ACM GvOpp	0.80	8.5		101	9⅛	9⅛	9⅛	-⅛
10⅛	8¼	ACM Gvt Sp	0.96	9.6		49	10	9⅞	10	
11⅝	10½	ACM Gvt Se	1.09	6.5		273	u11⅝	11½	11½	
11⅛	9⅝	ACM Man	1.06	9.2		2	11¾	11¾	11¾	
9⅝	8⅝	ACM Mmgd	0.12	7.6		8	6⅛	6	6⅛	+⅛
12⅝	7¼	AcmeCv	0.44	4.6	12	36	9⅝	9⅝	9⅝	+⅛
11⅛	6½	Acme Elect			39	12	8⅝	8⅝	8⅝	+⅛
27⅝	18⅛	Acordia	0.44	2.0	12	54	22	21	22	+⅛
16	10⅛	Acuson			00	164	13⅛	13⅛	13⅛	-¼
21⅞	17⅞	Adams Expr	0.48	2.7	0	69	18	17⅞	17⅞	-⅛
68¼	45½	Ad Micro	3.00	6.1		203	49¾	49⅞	49⅞	+⅛
32¾	17⅝	AdvMic	3.00	15.7	7	1116	19⅛	19	19¼	+⅛
8½	5½	Advest Grp	0.16	2.3	12	8	7	7	7	+⅛
24¾	14⅛	Advo Inc	0.08	2.0	77	82	16⅛	16	16¼	+⅛
61¼	41⅛	Aegon ADR	1.23	2.4	10	33	51⅝	51⅛	51⅝	+1⅛
66¼	43⅜	AetnaL	2.78	4.5	28	203	60⅞	60⅝	60⅞	+⅛
34	24¾	Aflac	0.40	1.5	12	1430	37⅝	26⅞	27	+¼
22⅛	16¼	Ahmanson	0.88	4.5	6	663	18⅝	18	18⅝	+⅛
7¾	3⅝	Aileen Inc			7	25	5¼	5¼	5¼	
46⅛	27½	AirPrC	0.92	2.1	24	821	43½	43	43	-⅛
33	18⅛	Airborne Frt	0.30	0.9	26	509	31⅞	31⅛	31⅛	+½
25½	8⅛	Airgas Inc			40	189	20⅝	20⅛	20⅛	-½
18⅛	10½	Alabama	1.72	10.8	11	7	16⅛	15⅞	15⅞	+⅛
108½	101	AlaPw8.16	8.16	7.6		2	104¼	104¼	104¼	

Continued on next page

NYSE COMPOSITE PRICES

4pm November 26

Continued from previous page

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NASDAQ NATIONAL MARKET

4pm November 26

[illegible]

AMEX COMPOSITE PRICES

4pm November 26

[illegible]

Price data supplied by Telekurs

[illegible]

FT GUIDE TO THE WEEK

29 MONDAY

Hosokawa rides high

Debate on the government's plans to reform Japan's scandal-prone electoral system begins in the upper house of parliament, having passed the lower house on November 18. The position of prime minister Morihiro Hosokawa (above) has been strengthened by an opinion poll last week which gave his cabinet a 73.5 per cent approval rating.

Milk shake-up: The UK government's consultation period on plans for liberalising the milk market ends, when minister of agriculture Gillian Shephard must weigh up proposals by the Milk Marketing Board to turn itself into a voluntary farmers' co-operative called Milk Marque. The plan has been attacked by dairy companies which think it will restrict competition and mean higher prices for consumers.

Today is also the start of the Smithfield agricultural show at London's Earls Court exhibition centre.

Gatt delegations from the 116 nations engaged in the Uruguay round in Geneva begin "evaluation" of all market access offers for goods and services on the table.

Loans to Iraq: Christopher Drogoul, former Atlanta branch manager for Banca Nazionale del Lavoro, faces sentencing in Atlanta oo 70 counts of conspiracy, mail fraud and wire fraud in connection with the bank's illegal loans to Iraq.

Russia's first deputy prime minister Yegor Gaidar meets mineworkers' leaders to try to negotiate a solotion to a strike threat from Wednesday.

Moldova, a former republic of the Soviet Union, is slated to introduce its own currency, the Leu.

Feruzzi Finanziaria, the holding company for Italy's second largest private company, and Montedison, its main industrial subsidiary, are due to hold board meetings in advance of Tuesday and Wednesday's shareholders' meetings in order to assess banks' response to the group's ambitious multibillioo lira rescue plan – ooe of the biggest corporate restructurings Europe has seen.

Rousseau to go: Tonight Christie's in London auctions the most important painting by the eccentric French post-impressionist artist Henri Rousseau to appear at auction in 20 years. It is a portrait of the dealer Joseph Brummer and is estimated at £2m.

30 TUESDAY

Mr Clarke gives his Budget

In the UK Budget, attention will be focused on how Kenneth Clarke, the chancellor, rises to the challenge of reducing the projected £50bn public sector deficit. He has indicated that be intends to stimulate industry and that tax rises will be targeted at consumers rather than business.

CSCE meeting: Foreign ministers from the 52 states of the Conference on Security and Co-operation in Europe (CSCE) meet in Rome to review peace-keeping efforts and the monitoring of actual and potential conflicts from Bosnia to Tajikistan. High on the agenda will be a discussion of Moscow's attempt to gain western moral and financial backing for Russia's controversial "peace-keeping" operations beyond its southern borders.

Franco-German summit: The regular twice-yearly Franco-German talks take place in Bonn (to Dec 1). French president François Mitterrand and Helmut Kohl, the German chancellor (pictured below), are expected to discuss Gatt, the next European summit and the outlook for the EU after Maastricht. Also preseot will be French prime minister Edouard Balladur, various of his ministers, and their German counterparts.

Glaxo, The largest pharmaceuticals group in Europe, and the world's biggest spender on drugs R&D, is to brief analysts on details of its drugs under development. The company will reveal for the first time since December 1991 how it has been spending its R&D budget, some $1.15bn this year. Details of the group's products and international operations will also be given.

Feruzzi Finanziaria holds an extraordinary general meeting to discuss the the L2,932bn ($1.7bn) recapitalisation and creditors' debt-for-equity conversioo swap.

How low can they go? The first UK Costco store opens at Thurrock, Essex. The US warehouse club operator is bound to intensify the price war among food retailers.

1 WEDNESDAY

UN sanctions against Libya

Further UN sanctions against Libya are due to take effect after a grace period. They come in the face of the continued failure of Tripoli to hand over the two agents suspected of planting the bomb that destroyed a Pan-Am jumbo jet over the Scottish town of Lockerbie in 1988.

Libyan assets abroad will be frozen, with the exception of those which come from the sale of oil, gas and farm produce. There will be an embargo on Libyan imports of technology, with the exception of spare parts for the oil and gas industry. The US and UK had called for tougher measures; their mildness is due to the insistence of continental European countries.

United Airlines dispute:

The large US carrier is due to resume talks with unions representing its pilots and machinists. The company's restructuring plan, intended to improve profitability, involves staff lay-offs and a sale of assets which its unions oppose. A fortnight ago, United rejected a union offer to acquire 60 per cent of the company in return for staffing concessions.

Trade talks: Mickey Kantor, the US trade representative, is expected to begin critical talks in Brussels with Leon Brittan, EU trade commissioner. They are under mounting pressure to complete an agreement on cutting tariffs on manufactured goods and farm products.

Agreement is an essential precondition for successful conclusion of the Uruguay round by the December 15 deadline.

Russian coal miners in Vorkuta, the main coal mining area in the arctic circle, are threatening to strike and could be supported by miners in Siberia. The political implications of the strike could be as important as their industrial consequences. The miners played a vital role in bringing down the Communists in 1989. A strike against President Boris Yeltsin's reform programme could deal it a heavy blow.

Montedison holds an extraordinary shareholders' meeting to discuss the L5,170bn ($3bn) recapitalisation and creditors' debt-for-equity conversioo swap.

Japan: The Bonen-kai (forget the year) seasoo of corporate cocktail parties begins and lasts all month. Proceedings are expected to be muted this year in view of the recession, which saw the Nikkei decline 6.8 per cent last week.

2 THURSDAY

Bundesbank council meets

The policy-making body of the German central bank gathers for the last-but-one session this year. Following last week's fall in inflation, many market operators are expecting another 50 basis-point cut in the official discount and Lombard rates.

Foreign ministers' slog: Nato foreign ministers, hot-foot from the CSCE meeting in Rome, fly to Brussels for a meeting at Nato headquarters. In the evening, 12 of them travel across town for an all-night European Union session on the Gatt Uruguay Round world trade talks, which has been called by France.

The French have said a "pre-accord" between the EU and the US must be on the table for examination at this meeting, otherwise the December 15 deadline cannot be met.

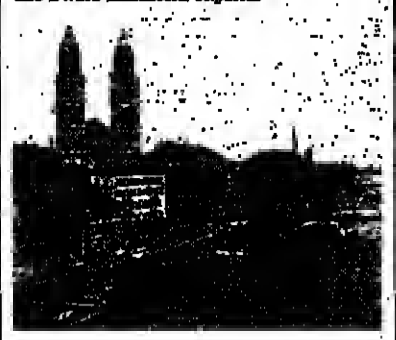
On Friday, the 12 foreign ministers change hats again and return to Nato headquarters for a meeting with foreign ministers from eastern Europe and the former Soviet Union.

Spanish labour unrest: Prime Minister Felipe Gonzalez is due to meet union leaders and employers' representatives in a bid to ease mounting industrial tension and avert a possible one-day general strike. Unions object to the government's plans to reduce dismissal costs and remove rigidities from domestic labour legislation.

Royal Doulton: Shares in the fine-china manufacturer which is being demerged from Pearson, the media conglomerate and owner of the Financial Times, are expected to begin trading at between 180p and 250p. Pearson's existing shareholders are being offered one Royal Doulton share for every 10 held in the media parent.

In the saleroom: The veteran car Genevieve, a four-seater 12hp Darracq, made famous in the 1953 film of the same name, is to be auctioned by Brooks of London. The price may top £300,000.

FT Traveller, Zürich: A guide to the Swiss financial capital.



In London on Tuesday: Kenneth Clarke, the UK chancellor, presents his first Budget

3 FRIDAY

Ulster peace initiative

UK prime minister John Major and Ireland's premier Albert Reynolds are scheduled to hold a summit in Dublin, intended to add momentum to the latest peace effort in Northern Ireland.

However, it is uncertain whether the meeting will take place as planned or be postponed.

Gatt: Negotiators in Geneva will debate the US-EU market access package which they hope will have been unveiled in Brussels two days earlier. A full assessment of the impact of the round on developing countries should also be tabled.

Japanese economy: The world's second biggest economy is struggling with its worst recession for 20 years. Today, the OECD releases an economic report on Japan and the FT publishes a survey of Japanese Industry.

4-5 WEEKEND

Electors of Brandenburg

Sunday's local government elections in this eastern German state should indicate how far voters are disillusioned with mainstream political parties ahead of next year's 19 polls.

Jacques Delors, EU president, will try at a special meeting of finance ministers on Sunday to get his plan for tackling unemployment adopted.

Venezuelan elections: Opinion polls show 77-year-old former president, Rafael Caldera, ahead of 17 rivals in the presidential contest on Sunday. There are also congressional and 22 state elections.

Speakeasy: From Saturday, the UK's BT telephone company is cutting the price of calls anywhere in the country to 10p for 3 minutes.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Statistics to be released this week

Country	Economic Statistic	Day Released	Previous Actual	Median Forecast.
UK	Nov M0 (month on month)	Mon 29	0.4%	0.4%
	Nov M0 (year on year)	Mon 29	5.4%	5%
	Nov official reserves	Thurs 2	up $32m	up $50m
US	Nov Consumer Confidence	Tues 30	59.4	62
	Q3 GDP Preliminary	Wed 1	2.8%	2.9%
	Nov NAPM Index	Wed 1	53.8%	54.5%
	Initial claims - w/e 27 Nov	Thurs 2	393,000	-
	Nov non-farm payrolls	Frid 3	up 177,000	up 175,000
	Nov manufacturing payrolls	Frid 3	up 12,000	up 15,000
	Nov unemployment rate	Fri 3	6.8%	6.7%
Japan	Oct housing starts (y/y)	Tues 30	10.6%	11.7%
	Oct industrial production	Tues 30	2.2%	-5.4%
France	Oct unemployment rate	Tues 30	11.8%	11.9%
Germany	Nov unemploymenl West	Frid 3	up 56,000	up 45,000
	Nov employment West	Frid 3	down 34,000	dn 40,000
	Nov unemployment East	Frid 3	up 7,000	up 12,500
During this week...				
Japan	Oct current a/c		$13.3bn	$11.6bn
Germany	Oct industrial production (m/m)		2%	0%
Germany	Oct manufacturing output (m/m)		down 2.4%	down 0.3%
Belgium	Nov unemployment (y/y)		13.9%	-

Statistics, courtesy MMS International.

The main economic event in the UK this week is the chancellor's budget statement tomorrow. This will outline changes to taxatioo and spending, as well as setting out the government's medium term financial strategy.

It comes in a quiet week for UK statistics with today's provisional narrow money supply the only official figure of any note. The purchasing managers' index is released on Wednesday. Although the survey has only a limited track record, it is growing in popularity as a guide to economic activity. Many analysts expect it to maintain last month's rebound, with both the orders and output figures broadly the same.

The more established US version – the National Association of Purchasing Managers Index – is also out on Wednesday. Watched closely as an early indicator of manufacturing health, it is expected to show that orders and output are still buoyant, while prices may fall for the third successive month.

A Bundesbank meeting on Thursday and US jobless figures on Friday add to the week'a interest. Non-farm payrolls are expected to rise by about 175,000.

There is a steady stream of data in Germany this week, to accompany the central bank's council meeting. Economists believe the real economy data will show that activity remains sluggish, with no signs of recovery but no signs of a double dip either.

Emma Tucker

POLITICAL DIARY

BRUSSELS

Monday 29: The Seventh European Finance Convention and Ecu Week begins. The theme is the timetable for European monetary unioo after the collapse of the ERM (to Dec 3).

Thursday 2: European Unioo foreign affairs ministers hold a special meeting to discuss progress in the Gatt talks at the request of France. It will provide a test of unity ahead of the December 15 deadline for a Gatt deal.

Ministerial meetings of the North Atlantic Council and the North Atlantic Co-operation Council take place to prepare for January's Nato summit (to Dec 3).

Friday 3: The European round table of industrialists unveils a report called "Beating the Crisis – a charter for Europe's Future". It is seen as a counterweight to Jacques Delors' white paper on competitiveness, employment and growth.

WASHINGTON

This week the nation slowly cranks itself up after the Thanksgiving holiday.

Tuesday 30: The World Bank hosts a conference on "Overcoming Global Hunger" (to Dec 1).

Speakers include the UN secretary-general Boutros Boutros Ghali, former US president Jimmy Carter, Bank president Lewis Preston, and congressman Tony Hall, the Ohio Democrat who staged a 23-day fast earlier this year to raise public consciousness of world hunger.

Thursday 2: The US government trade representatives host a multilateral meeting of leading aluminium producing countries, including Russia.

The main purpose of the gathering is to discuss what governments can do to help limit upheavals in the western aluminium markets which are being caused by exports from the CIS.

TOKYO

Monday 29: Debate on the government's plans to reform Japan's scandal-prone electoral system begins in Upper house of parliament, having passed in the Lower house on November 18.

Tuesday 30: Mr Carlos Menem, president of Argentina arrives for an official working visit from Dec 1 to 5. He will have talks with prime minister Morihiro Hosokawa.

A second supplementary budget is due to be discussed in the Upper and Lower houses (to Dec 2). It aims to boost the sluggish economy and provide relief for farmers hit by the unusually cool and wet summer.

Wednesday 1: Tokyo's Hotel New Japan, where a fire killed 33 people in 1982 is to be auctioned. The district court has set a reserve price of Y99.4bn. Last week, the former owner, businessman Hideki Yokoi, received a three-year prison sentence for negligence.

LONDON

Monday 29: The bill to liberalise trading on Sunday will receive its second reading, following the government's concession allowing working on Sunday to be voluntary for some employees. Unusually, there will be a free vote.

Tuesday 30: Proceedings will be dominated by Kenneth Clarke, chancellor of the exchequer, who is presenting his first Budget.

For the first time, the government's decisions on taxation and spending will be dealt with together.

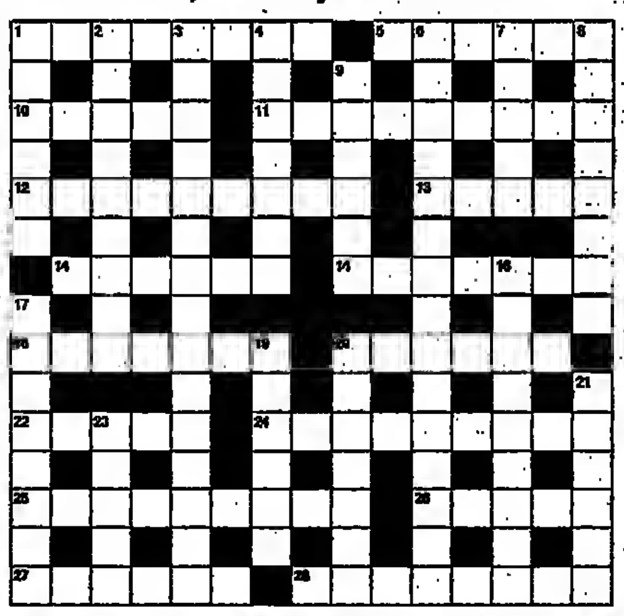
Wednesday 1: In the Lords, the Opposition will open a debate on the motion of "no confidence in the policies of the government".

The foreign affairs select committee is to discuss relations between the UK and China.

Malcolm Rifkind, the defence secretary, will give evidence on expenditure to the defence select committee.

MONDAY PRIZE CROSSWORD

No.8,318 Set by ADAMANT



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 9, marked Monday Crossword 8,318 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 13.

Name..

Address..

ACROSS

1 Work on hand at out of control river (8)
5 Chance danger (6)
10 We hear why the surrounding heather is flat (5)
11 An office in the City (9)
12 Room above for sale (9)
13 Animal turn in the cabaret tonight (5)
14 Pay what is due on the seat (6)
15 I object to stupid article on bone marrow (7)
18 Graduate in rough seas gets sore (7)
20 Clever enough to develop State University (6)
22 Said in France to be the same (5)
24 Quiet home – all I want for my bird (9)
25 Clumsy boy! The king of France oeeds the rug around (9)
26 Place in firm setting? I'd accept the honour (5)
27 Youthful frolics enjoying physical jerks in Porsches? (6)
28 Saucy young ladies who put tokens of love in their reticules? (8)

DOWN

1 Claim about eastern ill-feeling (6)
2 On Number One, Monica's not grunting! (9)
3 Mouthpiece of the tobacco lobby? (9,6)
4 Story of Nelson's followers in the capital (7)
6 It will clear the atmosphere for publishing views about the proviso (3-12)
7 Raise tax on a share (5)
8 At least such a fantasy should not be a nightmare (8)
9 My clue is solved at college (6)
16 Poor Bert consumed by awful guilt at being an environmental pest (9)
17 Terror of swallowing up medicine is affecting all the world (8)
19 Issue about hip broken by water pipe (6)
20 Song of rising revolutionaries and French volunteers (7)
21 Fly did badly in unfinished case (6)
23 Put up about a pound – what a bloomer (5)